Nets Topco 2 S.à r.l.

Annual Report 2020

Performance highlights 2020

2020 was a defining year for Nets where we delivered on our ambitious transformation plan to create a leading and preferred payments partner for merchants and issuers in Europe. This was driven by our continued focus on growth and profit accretive acquisitions with especially within eCom and SME merchant services, new customer wins, integration synergies and solid cost control. Ultimately, in Q4, we reached a new milestone in our transformation journey, as we entered into a binding merger agreement with Italy-based PayTech leader Nexi.

In 2020, we continued our European expansion with focus on the high growth areas of eCom and SMEs in mainly Poland and the DACH region. As more smaller merchants start accepting – or even have preference for – digital payments as compared to cash, Nets has a clear focus on winning the SME segment. Thus, in 2020, we saw all-time-high SME sales in the DACH region, and we made new acquisitions to cater specifically for this segment.

In Q1, we made a large acquisition in Poland of high growth merchant acquirer Polskie ePłatności (PeP) that closed in October after receipt of all customary approvals. Following the earlier Polish acquisitions of Dotpay/eCard and Przelewy24 in the eCom space, the acquisition of PeP - being focused on SME merchants and having a strong presence in the card acceptance and point-of-sales terminals space - has a convincing strategic fit, completing our offering to Polish merchants.

In October, we continued to expand our presence in the DACH region by acquiring the leading Swiss payment terminal provider CCV Switzerland SA. Finally, we made new acquisitions in Finland, where Finnish software developer Poplatek and its spin-off company Poplapay were brought into the Nets family while Checkout Finland Oy was acquired a few days into 2021, thereby strengthening both our payment terminal services and our eCom capabilities.

Throughout the year, we continued to win several new customers in our Issuer & eSecurity Services business, where we welcomed Ikano Bank and Yoba as new Nets customers. We also announced that we have joined the European Payments Initiative (EPI) as one of the first non-bank acquirers with a view to expanding the EPI's acceptance network, and sharing the ambition to create a new, unified, innovative pan-European payment solution.

In November, the Nets Group and Nexi, the PayTech leader in Italy, entered into a binding framework agreement regarding the combination of the two groups through an all-share merger. Closing of the merger, which is expected in Q2 2021, is subject to conditions in the framework agreement and customary approvals from authorities as well as the completion of the sale of Nets' Corporate Services to Mastercard. Upon closing of the merger and following the subsequent anticipated merger with SIA, the new combined group encompassing Nexi, Nets and SIA will become the European PayTech leader with the scale, reach and breadth of capabilities to drive the digital and cashless transition in Europe.

In August, the European Commission gave its conditional approval of the sale of our account-to-account payment business to Mastercard. 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, in the annual accounts for 2020, the account-to-account business is presented as a discontinuing operation in line with the reporting for 2019. In March 2021, the transaction was completed, and Nets received the full amount of the sales price of EUR 2.85 billion in cash.

2020 was a year in which the COVID-19 pandemic made significant impacts on the payments industry in midst of cancellations, restrictions and lockdowns. While causing a temporary drop in the number of payment transactions, the COVID-19 pandemic also sparked a positive acceleration of the digitalisation trend throughout the regions where the Nets Group is active, with substitution effects from cash to digital payments and in particular contactless and remote payments. Nevertheless, as European Governments introduced new restrictions towards the end of 2020, we will most likely need for restrictions to be lifted and a return to normal circumstances, before these effects start driving up transaction volumes.

Performance highlights 2020 (continued)

REVENUE

In 2020, net revenue was EUR 975.1 million, down 3.5% compared to 2019 on a reported basis. On a proforma adjusted basis, net revenue decreased by 3.1% and on an underlying basis net revenue contracted 1.2%. Underlying revenue excludes non-recurring eID revenue and pricing rebasing for Issuer & eSecurity Services.

Merchant Services delivered strong growth in eCommerce business (high-20s) in 2020 following (i) very strong merchant and revenue growth of Easy next-gen collecting one-click PSP proposition in the Nordics (ii) strong growth in attractive Poland eCom region driven by shift to online and market share expansion on the back of successful P24/DotPay/eCard integration, and (iii) strong PayLater growth from strong back-book merchant growth during COVID-19 (e.g. fashion retailers) and expansion into Reseller segment.

SME remained resilient despite acquiring volumes negatively impacted by COVID-19: Strong sales momentum in DACH SME (long-term rentals base increased 10% Dec YoY) driven by market-leading Direct Sales channel with integrated SmartPay proposition sales making up c. 60% of front-book sales in Germany boosting customer life time value. Nordics SME showed strong resilience with modest volume impact from COVID-19 and strong Q3 rebound.

SME Poland continued strong volume and revenue growth despite base volumes negatively affected by COVID-19 lockdowns.

LAKA revenue declined due to COVID-19 impacting volumes within travel, transport and hospitality slightly offset by volume increases in supermarkets.

As a result, organic and underlying growth declined by 2.1% in 2020.

Issuer & eSecurity Services underlying growth of 0.6% confirmed resilience during 2020 following a robust growth in Digital business experiencing volume and fee expansion, slightly offset by a minor decline in Issuer business on the back of COVID-19 related volume drop.

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

OPERATING EXPENSES

Total operating expenses were EUR 631.0 million compared to EUR 647.8 million in 2019, leading to a total cost to net revenue increase by 0.6 percentage point to 64.7% from 64.1% in 2019. On a like for like basis, total operating expenses decreased by 3.0% from 2019 to 2020.

Cost of sales was EUR 69.3 million (7.1% of net revenue) showing an increase of 9.4% on a like for like basis to 2019. The increase was mainly driven by a strong performance in the eCommerce business.

External expenses amounted to EUR 252.9 million (25.9% of net revenue). On a like-for-like basis, external costs decreased by 1.1% compared to 2019, mainly driven by execution of savings and transformation initiatives during 2020. External expenses include consulting fees related to IT and costs driven by sourcing partnerships related to our technology operations and development activities.

Staff costs amounted to EUR 308.8 million (31.7% of net revenue). On a like-for-like basis, staff costs decreased by 6.8% compared to 2019. The decrease in staff costs was primarily driven by solid execution of savings and transformation initiatives during 2020.

Nets had 4,130 FTEs (full-time equivalent) by the end of 2020, which is 404 more than in 2019. The increase is driven by acquisitions to further strengthen the Group's European presence driving an increase of 710 FTE. The increase was offset by 306 FTE as a result of savings and transformation initiatives improving the Group's competitiveness.

EBITDA B.S.I.

In 2020, EBITDA b.s.i. decreased by 5.2% to EUR 344.1 million, compared to EUR 363.0 million in 2019. On a like for like basis, EBITDA b.s.i. declined by 3.4%. Excluding non-recurring eID revenue and pricing rebasing for Issuer & eSecurity Services, underlying EBITDA b.s.i. increased by 4.1%.

The decline in reported in EBITDA b.s.i. reflects a 2020 with unprecedented decline in volume and net revenue following the COVID-19 lockdowns in our key markets.

SPECIAL ITEMS

In 2020, special items amounted to EUR 214.4 million, a decrease of EUR 102.8 million compared to 2019. In 2020, investment in transformation programs continued and amounted to EUR 57.8 million (2019: EUR 60.6 million). Costs associated with business setups, acquisitions and disposals amounted to EUR 36.8 million (2019: EUR 33.7 million) and costs related to re-organization, restructuring and refurbishment was EUR 36.9 million (2019: EUR 29.5 million). Cost arising from the bankruptcy of Thomas Cook and other one-off losses, handling costs etc. amounted to EUR 82.9 million (in 2019: EUR 193.4 million), and a significant amount hereof, related to investment in strengthening procedures for Merchant Service credit risk. One-off losses mainly related to clean-up in receivables related to the pay-later solutions.

Performance highlights 2020 (continued)

EBITDA
In 2020, EBITDA amounted to EUR 129.7 million, compared to EUR 45.8 million in 2019.

DEPRECIATION AND AMORTISATION
In 2020, underlying depreciation and amortisation were EUR 128.1 million, up from EUR 109.1 million in 2019. The increase of EUR 19.0 million was primarily due to completed software development and depreciations from new acquisitions and investments in tangibles.

Amortisation of business combination and impairment losses amounted to EUR 193.0 million compared to EUR 186.5 million in 2019. The increase is a consequence of the acquisitions in 2020, mainly PeP Group, and full year effect of acquisitions in 2019.

ADJUSTED EBIT
Adjusted EBIT calculated as EBITDA b.s.i. minus underlying depreciation and amortisation was EUR 216.0 million, compared to EUR 253.9 million in 2019.

NET FINANCIALS
Net financials was an expense of EUR 286.8 million, compared to an expense of EUR 300.6 million in 2019. The decrease was driven by restructuring of debt to owner's end-2019, offset by higher interest expenses, mainly following the acquisition of the PeP Group.

TAX
In 2020, taxes amounted to an income of EUR 20.8 million compared to EUR 34.0 million in 2019, equivalent to an effective tax rate of 4.4% in 2020 (6.2% in 2019).

The effective tax rate was negatively impacted by non-deductible interest expenses and non-recognised tax losses.

In 2019, the effective tax rate was negatively impacted by non-deductible M&A costs and interest expenses as well as other tax provisions.

RESULT FOR THE YEAR
Result for the year was negative by EUR 395.9 million, compared to negative EUR 480.7 million in 2019. The result for 2020 was significantly impacted by Special items, including COVID-19 costs and other one-off loses, M&A costs, as well as amortizations of business combination intangibles and customer agreements related to acquisitions, whereas 2019 result was impacted significantly by the bankruptcy of Thomas Cook.

BALANCE SHEET AND CASH FLOW
Tangible and intangible assets

At 31 December 2020, total assets amounted to EUR 9,001.4 million, compared to EUR 9,175.6 million at year-end 2019. Total non-current assets amounted to EUR 5,549.2 million compared to EUR 5,351.5 million at year-end 2019.

Total current assets amounted to EUR 3,452.2 million, compared to EUR 3,824.1 million at year-end 2019.

CLEARING WORKING CAPITAL
At 31 December 2020, clearing-related assets (clearing debtors) amounted to EUR 514.9 million and clearing-related liabilities amounted to EUR 1,018.4 million, leading to a clearing working capital (CWC) of negative EUR 503.5 million (positive funding).

EQUITY
Including shareholder loans and issued Preferred Equity Certificates, total shareholder funding was EUR 2,139.6 million compared to 2,733.8 million at the beginning of the year, implying a solvency ratio greater than 23%.

Total equity was negative by EUR 256.9 million compared to EUR 436.9 million at the beginning of the year. The decrease was mainly related to the negative result in 2020 of EUR 395.9 million.

BORROWINGS & INTEREST-BEARING LOANS TO SHAREHOLDERS
As of 31 December 2020, borrowings amounted to EUR 4,333.2 million, compared to EUR 3,716.2 million end of 2019. The increase was mainly a result of new acquisitions and related refinancing of "takeover" external debt in total EUR 436.9 million as well as continued high level of investments in development projects and transformation activities.

Proceeds from the sale of the account-to-account activities, expected to be completed in first quarter of 2021, have not been reflected in total borrowings and are expected to have a significant positive impact on the leverage of the Group.

As of 31 December 2020, interest-bearing loans to shareholders amounted to EUR 1,623.7 million, compared to EUR 1,585.0 million end of 2019. The increase can be explained by the interests for the year.

CASH FLOW
In 2020, net cash flow from operating activities, excluding clearing working capital, was negative by EUR 8.6 million, compared to negative EUR 53.5 million in 2019.

Performance highlights 2020 (continued)

In 2020, the operating cash flow was significantly negatively impacted by Special items, as described in the section Special items, and pay-out of accrued charge-back losses to Thomas Cook, slightly higher than expected in 2019. Adjusted for non-recurring items, cash flow from operating activities was positive by EUR 232.5 million.

Cash flow from investments was EUR 524.4 million, whereof acquisitions amounted to EUR 386.9 million. Investments in development projects and other intangibles amounted to EUR 116.9 million (2019: EUR 130.9 million), including new card processing platform in Issuer and eSecurity Services and a number of new payment solutions within the Merchant Service business.

Net cash in-flow from financing activities in 2020, excluding clearing-related balances, amounted to EUR 579.7 million, and included new borrowings to fund acquisitions and related costs, as well as the continue investments in transformation of the business. Realization of derivatives contributed positive funds with EUR 24.2 million. Repayment of finance lease liabilities amounted to EUR 24.2 million (2019: EUR 26.9 million).

Net cash in-flow from financing activities in 2019, excluding clearing-related balances, amounted to EUR 346.4 million. Financing activities mostly included refinancing of the external borrowings in the merged Concardis Payment Group of EUR 431.0 million, new facilities to finance acquisitions and additional drawings on the Revolving Credit Facilities, EUR 824.0 million in total.

OUTLOOK 2021

In 2020, we saw that the COVID-19 pandemic made a significant impact on the payments industry in midst of cancellations, restrictions and lockdowns causing a significant drop in the number of payment transactions performed. Assuming a gradual recovery and return to normal circumstances beginning of Q2 2021, Nets expects a year with higher revenue and increasing EBITDA before special items margins. Nets will continue to streamline operations and processes and invest in innovative solutions with an ambition to create value for our customers, partners and shareholders, and deliver on stability, security and integrity to build the future of Nets.

EVENTS AFTER THE BALANCE SHEET DATE

In January 2021, Nets announced the acquisitions of Finnish eCommerce company Checkout Finland Oy. The acquisition is subject to customary approvals by the Finnish authorities.

In March 2021, the sale of Nets' account-to-account payment business to Mastercard for EUR 2.85 billion was completed upon receipt of all regulatory approvals and fulfilment of all customary closing conditions.

Business model: For an easier tomorrow

We create value for our customers by delivering digital payments and related services that are used by over 740,000 merchant outlets and more than 250 banks and other issuers of payment cards in Europe, allowing our customers to service millions of European consumers. We see easier products and solutions as the foundation for growth and progress – both in commerce and in society.

Whether it's for buying groceries, shopping safely on mobiles or dealing with public authorities, online services offer greater convenience and free up time in people's everyday lives.

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

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

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

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

To expand our leading position as a one-stop payment shop for merchants and a strong provider of processing services for banks across Europe, we have divested our low growth account-based payments unit almost solely focussed on Danish and Norwegian customers and centred our activities around two distinct business units – Merchant Services and Issuer & eSecurity Services. This allows us to address our customers' needs even better, while at the same time benefitting from synergies related to security, stability and scale that come from operating integrated end-to-end platforms.

Today, Nets enjoys a diversified European presence with business activities in more than 20 European countries, and we hold a fundamentally enhanced exposure to the high growth segments of eCom and SME merchant services as well as the high growth areas of Poland and the DACH region, where digital means of payments are rapidly replacing cash. Further, tapping into the significant growth pool for digital payments, we are selectively investing in the rapidly growing eCom space and the SME segment through more refined product offering as well as bolt-on acquisitions.

MERCHANT SERVICES

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

Merchant Services manages and simplifies merchants' payment flows. We enable merchants to accept payments easily and without friction, regardless of channels, to receive the settlement in their bank account, and to get detailed reconciliation information and statistics, all in different currencies and frequencies depending on the merchants' needs and their customers' preferences. This is offered through solutions such as SmartPay, a complete package to start accepting cashless payments, launched in the DACH region. In Poland we enable merchants to accept local payment methods such as Pay-By-Link bank payments and BLIK mobile payments, while the Germany-based RatePAY offers merchant- and consumer-friendly pay-later products. In the Nordic countries, Nets 360 offers a smooth omnichannel shopping experience by connecting all touchpoints, centring around the customer's preferred payment methods, while the newly introduced NetsPay 2.0 provides the SME segment with a flexible solution combining core and individually selected value-added services.

We also offer merchants value-added service for electronic receipts and loyalty solutions,

Business model: For an easier tomorrow (continued)

all with a simple and fast setup. Further, in Denmark, we own and operate Dankort, the domestic debit card system. Acquiring revenue is primarily driven by transaction fees. Terminal revenues are primarily monthly subscription fees for POS terminals or revenues from sold POS devices. Our e-commerce business generates both transaction fees and monthly fees, while the revenue model for Dankort is primarily transaction-based.

ISSUER & ESECURITY SERVICES

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

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

The e-security and digitalisation services include delivery of e-security solutions mainly through NemID and BankID, and digitalisation services enabling customers to simplify workflows and processes and supporting customers in their digital transformation.

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

CORPORATE SERVICES

Corporate Services include clearing and instant payment services, as well as e-billing solutions, e.g. Betalingsservice in Denmark and AvtaleGiro/eFaktura in Norway. In August, the European Commission gave its conditional approval of the sale of our account-to-account payment business to Mastercard, and the transaction was completed in March 2021.

Risk management

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

Nets operates in a payments industry with constant technological advances, evolving customer behaviour and changing regulatory agendas, where prudent risk management is vital to support the achievement of strategic and operational objectives. At Nets, risk management is therefore anchored in the organisation and reinforced by continuous risk processes. To support management awareness and oversight and thus enabling risk-based decision making, Nets maintains an enterprise risk landscape that is discussed with Business Units and Group Functions and reported to the Executive Management.

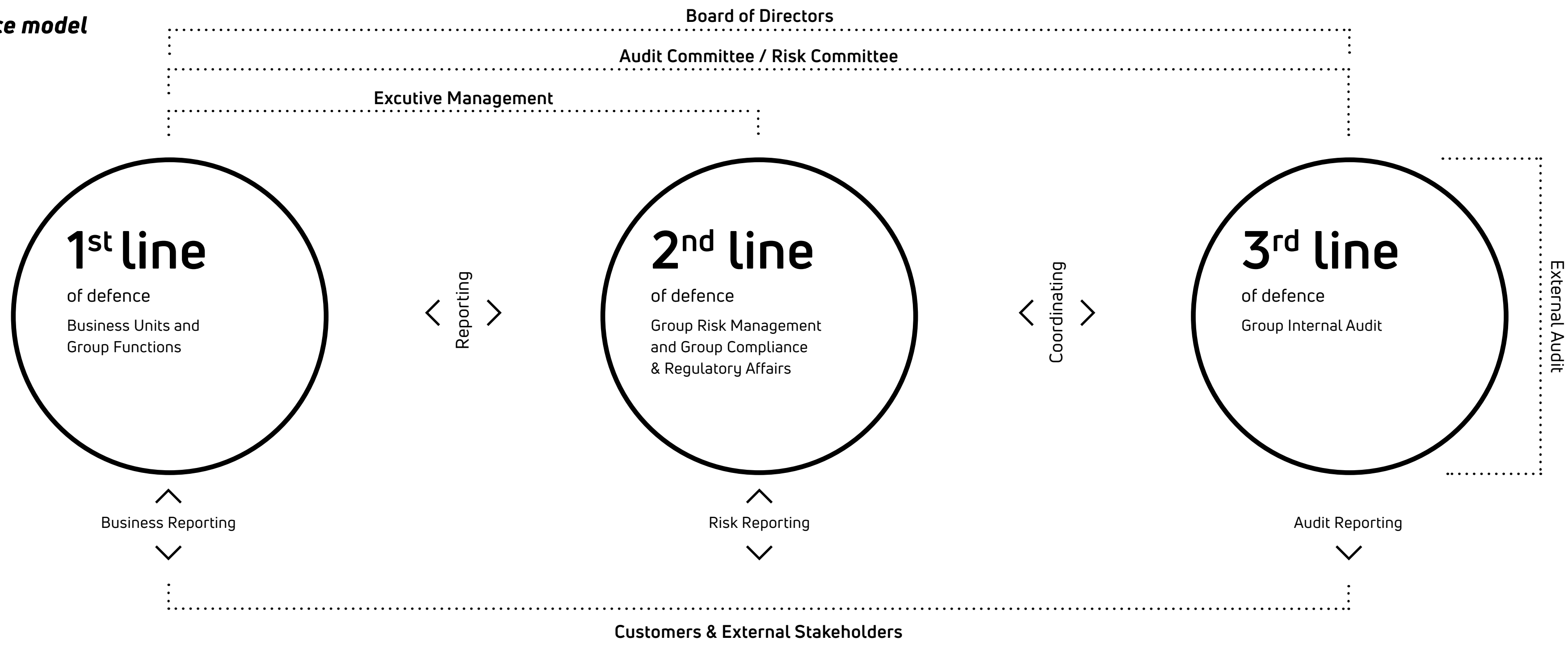
This section describes Nets' key risks in relation to achieving business objectives. Financial risks are described under Financial Statements, sections 2, 3 and 5.

RISK GOVERNANCE

The Board of Directors is responsible for the overall governance, oversees the enterprise risk landscape and approves strategies and group-wide policies. The Board of Directors has appointed an Audit Committee and a Risk Committee, which, among other tasks, monitor the group-wide enterprise risk landscape and compliance with board-approved policy objectives.

A "three lines of defence" model is implemented throughout the organisation and is used to structure roles, responsibility and accountability concerning risk and internal controls.

Governance model



FIRST LINE
– Identify, assess and manage risks

The Business Units and Group Functions form the first line of defence and perform the day-to-day risk-bearing activities. They are responsible for identifying, assessing and treating risks within those activities.

SECOND LINE
– Oversight, control and compliance

Group Risk Management, Group Security, IT Risk & Compliance and Group Compliance & Regulatory constitute the second line of defence and act independently of the activities they are tasked with controlling. They provide oversight and compliance by setting out minimum requirements through policies and support the implementation and monitoring of these policies through frameworks, tools, processes and control activities, enabling group-wide risk and compliance management.

THIRD LINE
- Independent assurance

Group Internal Audit and external auditors form the third line of defence. The third line provides independent assurance concerning the risk and control functions performed by the first and second lines of defence.

Key risks

The risks described are a high-level summary of the result of risk assessments across Nets. Top management reviews, discusses, challenges and provides feedback on the enterprise-wide risk landscape reporting and, when necessary, directs risk mitigating actions. The risks are not listed in particular order of priority and the selected mitigations are non-exhaustive.

INDUSTRY AND MARKET TRANSFORMATION

Description:
Underlying market transformation from cash to digital payments supported by technological developments, regulatory changes and new market participants are impacting consumer behaviour. The payments eco-system is developing at a fast pace, and market participants must evolve with it if they want to be part of the underlying market growth.

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

Main mitigants:
1. Strengthening the European value proposition to better serve merchants.
2. Modernising applications and further embedding agile ways of working to strengthen product development.
3. Integrating subsidiaries and optimising the operating model to further strengthen our ability to deliver enhanced products and superior customer service.
4. Consolidating our technological landscape to improve customer experience and cost efficiency.

INFORMATION SECURITY

Description:
Every day, Nets processes and stores large amounts of data related to the processing of financial transactions, connecting merchants, financial institutions, corporate customers and consumers, and enabling them to make and receive digital payments. Nets operates across the payments value chain from payment capture and authorisation through to processing, clearing and settlement. Due to the high value of such information assets and their systemic importance to several national financial infrastructures, Nets faces a range of threats from different threat agents such as hacktivists, organised crime and even nation states. Relevant security threats include social engineering such as phishing and spear-phishing, hacking, supply chain attacks as well as the introduction of system malware or ransomware that make data unreadable.

Potential impact:
At worst, the above-mentioned security threats could lead to system downtime, compromise of critical IT systems, potential breaches of confidential information or misuse of payment information. Similarly, the loss or otherwise unauthorised or accidental disclosure of personal customer information or other sensitive information could result in regulatory or legal sanctions and/or fines, substantial remediation costs and a weakening of our corporate brand and reputation.

Main mitigants:
1. A strong security culture and continuous awareness campaigns towards all employees and contractors, including regular nano-learnings within selected security areas (such as phishing, malware, password protection, personal data protection), internal posters, intranet articles, the Nets Security Academy and simulated phishing e-mail campaigns.
2. Protection measures such as a multi-layered security architecture, including intrusion prevention and detection, advanced end-point protection, privileged identity management, network segmentation, encryption of data, etc.
3. Comprehensive detection capabilities through security logging, monitoring, alerting and dashboards.
4. Strong and well-functioning vulnerability and patch management processes.
5. Automated take-down of phishing sites pretending to be related to Nets services.
6. Robust and documented handling of prioritised security incidents at Nets, including data breach management and communication processes

STABILITY AND OPERATIONS

Description:
Nets operates a considerable number of critical payment and identity platforms throughout Europe, such as domestic debit card schemes and direct debit solutions, clearing systems, digital authentication schemes and payment processing platforms. As these platforms are critical for the broader society as well as for our customers, government organisations and authorities, ensuring platform stability has a very high priority at Nets. Potential risk causes include insufficient application deployment and testing processes, incident management issues, failing infrastructure components, data centre transitions or Distributed Denial of Service (DDoS) attacks – both at Nets and at the suppliers involved in delivering the services.

Key risks (continued)

Potential impact:
Any unscheduled platform downtime would impact the availability of our services, potentially causing Service Level Agreement (SLA) breaches, loss of business revenue and increased operating expenses. In addition, Nets could suffer reputational damage in case of prolonged or repeated downtime incidents.

Main mitigants:
1. Agreed and accepted policy for which versions of hardware and software are accepted and which versions are desired, accompanied by processes to monitor the lifecycle of hardware and software.
2. Nets reference architecture providing a common set of principles, framework and taxonomy for Nets' technology architecture.
3. Firm procedures for incident, change and problem management.
4. Strong business continuity and disaster recovery governance and regular testing of core components (crisis management, platform disaster recovery plans, physical security etc.).
5. Services run out of data centres with best-in-class network and infrastructure set-ups.
6. Regular service risk assessments and business impact analyses to ensure service maturity and resilience.

MERCHANT SERIVICE CREDIT RISK

Description:
Credit risk is broadly defined as the risk that a financial loss will be incurred if a counterparty (merchant, consumer, bank, supplier) does not fulfil its financial obligations. Most significant is the risk arising from merchants in case the merchant is not able or willing to deliver the prepaid goods or services to their customers due to e.g. insolvency or fraud, the customer's bank will charge-back the amount from Nets, who will claim the amount from the merchant. If this proves unsuccessful, Nets will bear the loss.

Potential impact:
Financial losses from charge-backs that cannot be transferred to a merchant, or from consumers, due to their inability to pay or due to fraud.

Main mitigants:
1. Strong contractual terms and conditions that provide deferral, collateral information and termination rights.
2. Revised risk appetite for deferred delivery merchants (travel, airline, cruise lines, lodging)
3. Improved risk assessment for new merchants and monitoring of existing merchants.
4. Prefunding of refunds, bank guarantees, deposits in pledged bank accounts.
5. Robust transaction monitoring systems and processes.

COVID-19

Description:
The COVID-19 pandemic continues to affect societies across the world. It has forced regional and national lockdowns for periods of time, which are negatively impacting businesses and societies. The main areas impacted for Nets are:
Business continuity – Governmental instructions for working from home, concerns for personnel safety and other measures have, within a period of time, imposed a vast need to manage continued business operations securely and stably from remote distances and through new ways of working.
Merchant acquiring credit risk exposure – Restrictions related to COVID-19 particularly impact the pre-payments segments, e.g. airlines, travel, lodging, etc., which are part of Nets' merchant portfolio.
Revenue – The payments industry generates revenue from transaction volumes. Regional and national lockdowns have reduced payment activities, negatively impacting transaction volumes and therefore revenue.

Potential impact:
Regional and national restrictions can lead to decreasing transaction volumes and put burdens on merchants, which ultimately may lead to merchant insolvencies, in turn resulting in lower revenue and financial losses.

COVID-19 puts additional pressure on stable operations. This is covered in the "Stability and operations" section.

Main mitigants:
1. Activation of the Crisis Management Plan and a cross-functional task force through daily and later weekly meetings to continuously monitor and report on the situation and assess the need for further precautions, while working closely with International SOS for expert advices.
2. For all major IT services and IT systems, measures have been put in place to ensure robust and stable operations, including all critical activities and associated teams
3. We are in close contact with major operational suppliers to check that appropriate measures are taken to ensure stable operations.
4. The potential risk from merchant defaults, particularly in the travel industry, is significantly mitigated through a number of measures, including but not limited to pre-funding, guarantees, termination rights etc. The work is managed by a dedicated task force that continues to monitor and manage the risk.
5. To ensure a prudent liquidity buffer, Nets raised a new EUR 300 million revolving credit facility in April 2020.

Key risks (continued)

REGULATORY ENVIRONMENT

Description:

As Nets expands geographically, it is becoming subject to laws and regulations in new jurisdictions in which it operates as well as in existing markets. The Payment Service Directive (PSD2), the General Data Protection Regulation (GDPR) and the Anti Money Laundry / Combating the Financing of Terrorism (AML/CFT) legislation are examples of requirements where Nets is investing time and resources to maintain adherence across the company.

Potential impact:

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

Mitigants:

1. Establishment of a Group compliance framework by developing and implementing Group policies in the key regulatory areas of PSD2, GDPR and AML/CFT.
2. Establishment of a Group DPO function to support and co-ordinate the GDPR second line responsibilities and the DPOs across Nets.
3. Establishment of a Group reporting and monitoring role to support and mature the continued Group compliance reporting covering PSD2, GDPR and AML/CTF.

Corporate governance

MANAGEMENT STRUCTURE

Nets Topco 1 S.à r.l. is the ultimate holding company of the Nets Group, including the Concardis Payment Group.

The Board of Managers of Nets Topco 2 S.à r.l. is appointed by election at the General Meeting, which will also determine the number of Managers to appoint to the Board. There are currently nine Managers appointed to The Board. The Investors in Nets Group each have the right to nominate Managers to the Board: Hellman & Friedman may nominate four Managers (currently Stefan Goetz, Christian Ralison, Ingrid Moinet and Michael Gil), Advent may nominate two Managers (currently Jeffrey Paduch and Myriam Deltenre), Bain may nominate two Managers (currently Christophe Jacobs van Merlen and Vladimir Mornard) and GIC may nominate one Manager (currently Christopher Reid).

The current chairperson, Stefan Goetz, has been nominated by Hellman & Friedman.

Audit report

To the Shareholders of
Nets Topco 2 S.à r.l.

Our opinion
In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Nets Topco 2 S.à r.l. (the "Company") and its subsidiaries (the "Group") as at 31 December 2019 and 2020, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited
The Group's consolidated financial statements comprise:

- the consolidated income statement for the years then ended;
- the consolidated statement of other comprehensive income for the years then ended;
- the consolidated balance sheet as at 31 December 2019 and 2020;
- the consolidated statement of cash flows for the years then ended;
- the consolidated statement of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion
We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

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

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

Audit report (continued)

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the annual report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers and those charged with governance for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Audit report (continued)

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated 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 Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers;
- conclude on the appropriateness of the Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated 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 audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 11 March 2021

Brieuc Malherbe

Consolidated income statement

EURm	Note	2020	2019
Continuing operations			
Revenue, gross	2.1	1,567.4	1,883.2
Interchange fees and processing fees		(592.3)	(872.4)
Revenue, net of interchange fees and processing fees	2.1	**975.1**	**1,010.8**
Cost of sales		(69.3)	(63.6)
External expenses		(252.9)	(257.3)
Staff costs	2.3	(308.8)	(326.9)
Operating result before depreciation and amortisation before special items (EBITDA B.S.I.)		**344.1**	**363.0**
Special items	2.2	(214.4)	(317.2)
Operating result before depreciation and amortisation (EBITDA)		**129.7**	**45.8**
Amortisation of business combination intangibles, customer agreements & impairment losses	4.2 & 4.3	(193.0)	(186.5)
Underlying depreciation and amortisation	4.2 & 4.3	(128.1)	(109.1)
Operating result (EBIT)		**(191.4)**	**(249.8)**
Result from associates after tax	4.5	1.1	0.5
Fair value adjustment on liability related to Visa shares		0.0	(1.6)
Fair value adjustment of Visa shares related to Nets Branch Norway and proceeds (shares) related to Nets Branch Sweden		0.4	5.0
Financial income and expenses, net	5.4	(279.2)	(304.5)
Financial expenses – refinancing costs	5.4	(9.1)	-
Net financials		**(286.8)**	**(300.6)**
Result before tax		**(478.2)**	**(550.4)**
Income taxes	6.1	20.8	34.0
Result from continuing operations		**(457.4)**	**(516.4)**
Result from discontinuing operations	4.6	**61.5**	**35.7**
Result for the year		**(395.9)**	**(480.7)**

EURm	Note	2020	2019
The result is attributable to:			
Owners of Nets Topco 2 S.à r.l., continuing operations		(465.2)	(518.5)
Owners of Nets Topco 2 S.à r.l., discontinuing operations		61.5	35.7
Non-controlling interests, continuing operations		7.8	2.1
		(395.9)	**(480.7)**

Non-GAAP performance measures, continuing operations

		2020	2019
Operating result before depreciation and amortisation (EBITDA) before special items		344.1	363.0
Underlying depreciation and amortisation		(128.1)	(109.1)
Adjusted EBIT		**216.0**	**253.9**

Consolidated statement of other comprehensive income

EURm	Note	2020	2019
Result for the year		**(395.9)**	**(480.7)**
Other comprehensive income:			
Items that will not be reclassified subsequently to the consolidated income statement:			
Actuarial gains/(loss) on defined benefit pension plans	7.1	(0.3)	(0.7)
Total items never reclassified to the consolidated income statement		**(0.3)**	**(0.7)**
Items that will be reclassified subsequently to the consolidated income statement, when specific conditions are met:			
Currency translation adjustments, foreign enterprises		(120.0)	20.0
Reclassification of currency swap to the consolidated income statement		(24.2)	-
Net gains/(loss) on cash flow hedges		29.5	1.5
Tax on fair value adjustments		(1.2)	(0.3)
Total items that may be reclassified to the consolidated income statement subsequently		**(115.9)**	**21.2**
Other comprehensive income for the year, net of tax		**(116.2)**	**20.5**
Total comprehensive income for the year, net of tax		**(512.1)**	**(460.2)**
Total comprehensive income for the year is attributable to:			
Owners of Nets Topco 2 S.à r.l., continuing operations		(574.8)	(498.0)
Owners of Nets Topco 2 S.à r.l., discontinuing operations		61.5	35.7
Non-controlling interests, continuing operations		1.2	2.1
		(512.1)	**(460.2)**

Consolidated balance sheet as at 31 December

EURm	Note	2020	2019	1 Jan 2019
Assets				
Non-current assets				
Goodwill	4.2	4,064.6	3,755.6	3,993.4
Other intangible assets	4.2	1,230.6	1,320.5	1,469.5
Plant and equipment	4.3	183.1	177.6	118,3
Investment in associates	4.5	36.0	35.3	32.5
Derivative financial instruments	3.5	0	9.3	3.6
Deferred tax assets	6.1	34.9	53.2	32.8
Total non-current assets		**5,549.2**	**5,351.5**	**5,650.1**
Current assets				
Inventories	3.1.1	17.8	12.3	6.0
Trade and other receivables	3.1.2	331.4	277.9	117.6
Contract assets	2.1	27.7	10.5	3.5
Clearing-related assets	3.2	514.9	787.6	919.7
Prepayments		43.0	38.9	31.1
Other financial assets		9.1	15.8	34.6
Cash and cash equivalent	3.3	728.4	956.2	183.1
Assets held-for-sale	4.6	1,779.9	1,724.9	-
Total current assets		**3,452.2**	**3,824.1**	**1,295.6**
Total assets		**9,001.4**	**9,175.6**	**6,945.7**

EURm	Note	2020	2019	1 Jan 2019
Equity and liabilities				
Equity				
Share capital	5.1	1.5	1.5	1.5
Reserves		(391.8)	303.2	1,107.6
Equity, owners of Nets Topco 2 S.à r.l.		**(390.3)**	**304.7**	**1,109.1**
Non-controlling interests		133,4	132.2	21.7
Total equity		**(256.9)**	**436.9**	**1,130.8**
Non-current liabilities				
Borrowings	5.2	4,333.2	3,716.2	2,809.2
Interest-bearing loans from owners	5.2	1,623.7	1,585.0	-
Preferred Equity Certificates	5.2	772.8	711.9	1,287.6
Unsettled shares		0.1	0.7	1.1
Pension liabilities, net	7.1	6.1	6.3	5.2
Derivative financial instruments	3.5	44.6	10.9	15.9
Other liabilities	5.6	15.7	168.6	6.3
Lease liabilities	5.3	67.9	77.1	56.3
Deferred tax liabilities	6.1	247.2	266,2	311.6
Total non-current liabilities		**7,111.3**	**6,542.9**	**4,493.2**
Current liabilities				
Bank overdraft	5.2	8.0	17.5	122.4
Trade and other payables	3.1.3	510.6	434.4	239.4
Contract liabilities	2.1	5.0	7.9	9.9
Clearing-related liabilities	3.2	1,018.4	1,546.9	864.6
Other liabilities	5.6	334.0	1.9	36.8
Lease liabilities	5.3	17.8	23.0	17.0
Other financial liabilities		1.2	1.4	20.4
Current tax liabilities	6.1	207.5	34.1	11.2
Liabilities held-for-sale	4.6	44.5	128.7	-
Total current liabilities		**2,147.0**	**2,195.8**	**1,321.7**
Total liabilities		**9,258.3**	**8,738.7**	**5,814.9**
Total equity and liabilities		**9,001.4**	**9,175.6**	**6,945.7**

Consolidated statement of cash flows for the year ended 31 December

EURm	Note	2020	2019
EBITDA before Special items from continuing operations		344.1	363.0
Special items from continuing operations		(200.7)	(128.0)
Charge-back losses related to Thomas Cook		(40.4)	(162.0)
EBITDA from discontinued operations	4.6	80.9	97.0
Other non-cash items		1.7	-
Change in narrow working capital		17.0	(33.4)
Interest and similar items, net		(200.4)	(169.8)
Taxes paid	6.1	(10.8)	(20.1)
Net cash flow from operating activities excluding clearing-related balances		**(8.6)**	**(53.3)**
Change in clearing-related balances		(256.5)	179.1
Net cash from operating activities		**(265.1)**	**125.8**
Purchase of intangible assets	4.2	(116.9)	(130.9)
Purchase of plant and equipment	4.3	(26.8)	(44.1)
Investments and mergers	4.1	(386.9)	572.6
Proceeds from Visa shares		6.2	2.8
Net cash from investing activities		**(524.4)**	**400.4**
Repayment of Equity Certificates		-	(5.7)
Base fee in connection with borrowings		(20.2)	(14.0)
Proceeds from borrowings		651.1	824.0
Repayment of borrowings		(51.2)	(431.0)
Repayment of finance lease liabilities		(24.2)	(26.9)
Settlement of interest swap		24.2	-
Net cash from financing activities		**579.7**	**346.4**

EURm	Note	2020	2019
Net cash flow for the year		**(209.8)**	**872.6**
Cash and cash equivalents as at 1 January		938.8	60.7
Exchange gain/(loss) on cash and cash equivalents		(8.7)	5.4
Net cash and cash equivalents as at 31 December		**720.4**	**938.8**
Bank overdraft (clearing-related balances)		8.0	7.2
Bank overdraft (own cash)		0	10.3
Cash and cash equivalents as at 31 December	3.3	**728.4**	**956.2**

Non-GAAP performance measures

		2020	2019
Net cash and cash equivalents as at 31 December		**720.4**	**938.8**
Clearing-related assets as at 31 December		514.9	787.6
Clearing-related liabilities as at 31 December		(1,018.5)	(1,546.9)
Adjustment for Visa proceeds		(0.6)	(0.8)
Deposit from squeeze out		(0.1)	(0.6)
Own cash as at 31 December		**216.2**	**178.0**
Own cash as at 1 January		**178.0**	**114.7**
Net cash from operating activities excluding clearing-related balances		(8.6)	(53.5)
Net cash from investing activities in the year		(530.5)	(361.1)
Net cash from financing activities excluding clearing-related activities		579.7	346.4
Own cash aquired from takeover		6.0	126.0
Net cash from pass-through Visa proceeds		0.2	-
Exchange gain/(loss) on cash and cash equivalents		(8.7)	5.4
Own cash as at 31 December		**216.2**	**178.0**

Consolidated statement of changes in equity as at 31 December

	2020								
EURm	Share capital	Legal reserve	Hedge reserves	Currency translation reserves	Equity Certificates*	Retained earnings	Equity. owners of Nets Topco 2 S.à r.l.	Non-controlling interests	Total equity
2020									
Equity as at 1 January	1.5	0.1	2.1	(65.8)	953.9	(587.1)	**304.7**	132.2	**436.9**
Result for the year	-	-	-	-	(56.6)	(347.1)	**(403.7)**	7.8	**(395.9)**
Other comprehensive income for the year									
Actuarial gains/(loss) related to defined benefit pension plans	-	-	-	-	-	(0.3)	**(0.3)**	-	**(0.3)**
Currency translation adjustments, foreign enterprises	-	-	-	(113.4)	-	-	**(113.4)**	(6.6)	**(120.0)**
Net gain/(loss) on cash flow hedges	-	-	29.5	-	-	-	**29.5**	-	**29.5**
Settlement of currency swap	-	-	(24.2)	-	-	-	**(24.2)**	-	**(24.2)**
Tax on fair value adjustments	-	-	(1.2)	-	-	-	**(1.2)**	-	**(1.2)**
Other comprehensive income for the year	**-**	**-**	**4.1**	**(113.4)**	**-**	**(0.3)**	**(109.6)**	**(6.6)**	**(116.2)**
Total comprehensive income for the year	**-**	**-**	**4.1**	**(113.4)**	**(56.6)**	**(347.4)**	**(513.3)**	**1.2**	**(512.1)**
Capital contribution	-	-	-	-	-	2.5	**2.5**	-	**2.5**
Share based payments	-	-	-	-	-	1.7	**1.7**	-	**1.7**
Adjustment Other Liabilities	-	-	-	-	-	(185.3)	**(185.3)**	-	**(185.3)**
Adjustment	-	-	-	-	(0.6)	-	**(0.6)**	-	**(0.6)**
Total changes in equity	**-**	**-**	**4.1**	**(113.4)**	**(57.2)**	**(528.5)**	**(695.0)**	**1.2**	**(693.8)**
Equity as at 31 December	**1.5**	**0.1**	**6.2**	**(179.2)**	**896.7**	**(1,115.6)**	**(390.3)**	**133.4**	**(256.9)**

* Includes Preferred Equity Certificates, Equity Preferred Certificates and Junior Preferred Equity Certificates. Total changes from Equity Certificates was negative EUR 57.2 million of which negative EUR 56.6 million primarily related to interest for the Preferred Equity Certificates and Junior Preferred Certificates. For further information refer to Note 5.2.

Consolidated statement of changes in equity as at 31 December

	2019								
EURm	Share capital	Legal reserve	Hedge reserves	Currency translation reserves	Equity Certifi-cates*	Retained earnings	Equity. owners of Nets Topco 2 S.à r.l.	Non-controlling interests	Total equity
2019									
Equity as at 1 January	1.5	0.1	0.9	(85.8)	1,392.2	(199.9)	**1,109.0**	21.7	**1,130.7**
Result for the year	-	-	-	-	(102.4)	(380.4)	**(482.8)**	2.1	**(480.7)**
Other comprehensive income for the year									
Actuarial gains/(loss) related to defined benefit pension plans	-	-	-	-	-	(0.7)	**(0.7)**	-	**(0.7)**
Currency translation adjustments, foreign enterprises	-	-	-	20.0	-	-	**20.0**	-	**20.0**
Net gain/(loss) on cash flow hedges	-	-	1.5	-	-	-	**1.5**	-	**1.5**
Tax on fair value adjustments	-	-	(0.3)	-	-	-	**(0.3)**	-	**(0.3)**
Other comprehensive income for the year	**-**	**-**	**1.2**	**20.0**	**-**	**(0.7)**	**20.5**	**-**	**20.5**
Total comprehensive income for the year	**0.0**	**-**	**1.2**	**20.0**	**(102.4)**	**(382.4)**	**(462.3)**	**2.1**	**(460.2)**
Capital increase	-	-	-	-	-	34.9	**34.9**	-	**34.9**
Acquisition of non-controlling interests	-	-	-	-	-	26.0	**26.0**	(26.0)	**-**
Addition of non-controlling interests from Businesss Combinations	-	-	-	-	-	-	**-**	134.4	**134.4**
Adjustment Other Liabilities	-	-	-	-	-	(153.4)	**(153.4)**	-	**(153.4)**
Adjustment	-	-	-	-	(335.9)	86.4	**(249.5)**	-	**(249.5)**
Total changes in equity	**-**	**-**	**1.2**	**20.0**	**(438.3)**	**(387.2)**	**(804.3)**	**110.5**	**(693.8)**
Equity as at 31 December	**1.5**	**0.1**	**2.1**	**(65.8)**	**953.9**	**(587.1)**	**304.7**	**132.2**	**436.9**

* Includes Preferred Equity Certificates, Equity Preferred Certificates and Junior Preferred Equity Certificates. Total changes from Equity Certificates was negative EUR 433.3 million of which negative EUR 774.3 million primarily related to the partly redemption and interest for the Preferred Equity Certificates and new Junior Preferred Certificates and EUR 341.0 million related to new Equity Preferred Certificates. For further information refer to Note 5.2.

Contents

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

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

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

Section 1:

Basis of preparation

In this section

Section 1

Basis of preparation

Note 1.1

BASIS OF PREPARATION

The basis of preparation relates to the accounting framework which Executive Management has applied in the preparation of the consolidated financial statements of Nets Topco 2 S.à r.l. The consolidated financial statements are prepared on going concern.

These consolidated financial statements, for the years ended December 31, 2020 and 2019, are the first consolidated financial statements the Company has prepared in accordance with IFRS as issued by the IASB and adopted by the European Union. The opening consolidated statement of financial position was prepared as of January 1, 2019 (the date of transition to IFRS). For periods up to and including the year ended December 31, 2019, the Company and its Subsidiary prepared their separate financial statements in accordance with Luxembourg generally accepted accounting principle (Lux GAAP). However, no reconciliation from Lux GAAP (the prior reporting standards of the Company) to IFRS is presented because only separate financial statements of the Company were presented.

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

- Adjusted EBIT
- Special Items
- EBITDA
- Own cash

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

The Company is incorporated and registered in Luxembourg, and the functional currency of the parent company and the presentational currency of the Group is Euro (EUR). All figures in the financial statements are, except when otherwise indicated, presented rounded in million Euro with one decimal point.

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

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

The Annual Report for Nets Topco 2 S.à r.l. for 2020 was discussed and approved by the Executive Management and the Board of Directors on 11 march 2021 and issued for approval at the subsequent annual general meeting, June 2021.

Section 1

Basis of preparation (continued)

Note 1.2

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

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. None of these amendments have had material impact on the Group.
A summary of IFRS Standards issued but not yet effective is included in Note 7.3.

Note 1.3

SUMMARY OF KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

- Use of special items (Note 2.2) (judgements)
- Business combinations and asset acquisitions (Note 4.1) (judgment and estimate)
- Useful life of intangible assets (Note 4.2) (estimate)
- Recoverable amount of capitalised development projects (Note 4.4) (estimate)
- Goodwill and other intangible assets allocated to Discontinued operations (Note 4.6) (estimate)
- Fair value of Equity Certificates (Note 5.2) (estimate)
- Incremental borrowing rate and expected lease term for lease agreements (Note 5.3) (estimate)
- Recognition of deferred tax assets and uncertain tax positions (Note 6.1) (judgment)

Note 1.4

BASIS FOR CONSOLIDATION

The consolidated financial statements incorporates the financial information of Nets Topco 2 S.á.r.l. (the "Parent Company") and its subsidiaries (together, "the Group" or "Nets"). Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Potential voting rights are included in the assessment of whether the Group has power over an entity.

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

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

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

Note 1.5

FOREIGN CURRENCY TRANSLATION

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

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

TRANSLATION OF TRANSACTIONS AND BALANCES

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

TRANSLATION OF GROUP COMPANIES

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

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

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

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

Section 2:

Earnings

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

Revenue	EBITDA b.s.i.
975	**344**

In this section

Note 2.1

Revenue

Significant accounting policies

REVENUE RECOGNITION

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

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

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

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

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

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

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

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

Interchange fees and processing fees

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

Note 2.1

Revenue (continued)

CONTRACT ASSETS AND LIABILITIES

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

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

BUSINESS AREAS

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

Merchant Services provide in-store, online and mobile payment acceptance solutions to more than 740,000 merchants across the Nordic and central European regions, from large corporate chains to small and medium-sized enterprises and micro-merchants. We serve our merchants through a broad set of distribution channels, including indirect partnership relations such as bank referrals, value-added resellers and web developers as well as through our direct sales force. Our breadth of service, payment type and geographic coverage allows us to be a one-stop shop for merchants in the countries in which we operate.

Issuer & eSecurity Services provide outsourced processing services to more than 250 issuers of payment cards, primarily banks as well as complementary services including Card Management Systems (CMS), fraud and dispute solutions and mobile wallet technology. This business area is also operating and processing the national debit card schemes in Denmark and Norway, branded Dankort and BankAxept, respectively.

EURm	2020	2019
Gross revenue per transaction type		
Transaction services	1,315.4	1,656.4
Non-transaction services	252.0	226.8
Total	**1,567.4**	**1,883.2**
Gross revenue per business area		
Merchant Services	1,190.2	1,477.2
Issuer & eSecurity Services	377.2	406.0
Total	**1,567.4**	**1,883.2**
Net revenue per business area		
Merchant Services	599.1	605.9
Issuer & eSecurity Services	376.0	404.9
Total	**975.1**	**1,010.8**

Note 2.1

Revenue (continued)

EURm	2020	2019
Gross revenue per geographical area		
Denmark	466.1	490.1
Germany	450.1	702.7
Finland	201.8	244.1
Norway	199.5	236.9
Sweden	99.4	114.2
Poland	94.6	33.0
Croatia	45.3	49.6
Baltics	9.8	11.3
Schweiz	0.8	1.3
Total	**1,567.4**	**1,883.2**
Net revenue per geographical area		
Denmark	308.9	306.9
Germany	210.1	214.6
Finland	121.7	149.2
Norway	173.9	202.9
Sweden	58.0	61.5
Poland	50.3	18.0
Croatia	44.1	48.5
Baltics	7.7	8.8
Schweiz	0.4	0.4
Total	**975.1**	**1,010.8**

The geagraphical breakdown of the revenue is based on the location of the legal entities and branches in the Group.

EURm	2020	2019
Assets and liabilities related to contracts with customers		
Contract assets relating to projects and consultancy services	27.7	10.5
Total contract assets	**27.7**	**10.5**
Other prepayments from customers	5.0	7.9
Total contract liabilities	**5.0**	**7.9**

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

Note 2.2

Costs and Special items

Significant accounting policies

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

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

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

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

Special items in the year amounted to EUR 214.4 million (2019: EUR 317.2 million) and included the following costs:

	2020			2019		
EURm	**External expenses**	**Staff costs**	**Total**	**External expenses**	**Staff costs**	**Total**
Special items						
Reorganisation, restructuring and refurbishment	(5.4)	(31.5)	**(36.9)**	(17.1)	(12.4)	**(29.5)**
Business set-ups, acquisitions and disposals	(33.7)	(3.1)	**(36.8)**	(27.8)	(5.9)	**(33.7)**
Transformation programme	(46.8)	(11.0)	**(57.8)**	(49.9)	(10.7)	**(60.6)**
Costs arising from the insolvency of the client Thomas Cook and other losses, handling costs etc.	(79.6)	(3.3)	**(82.9)**	(193.4)	-	**(193.4)**
Total special items	**(165.5)**	**(48.9)**	**(214.4)**	**(288.2)**	**(29.0)**	**(317.2)**

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

Note 2.2

Costs and Special items (continued)

Financial comments

REORGANISATION, RESTRUCTURING AND REFURBISHMENT

Costs of reorganisation, restructuring and refurbishment amounted to EUR 36.9 million and mainly include costs related to termination of
employees as part of making Nets more cost-efficient and competitive in meeting the strategy of being operationally excellent.

BUSINESS SET-UPS, ACQUISITIONS AND DISPOSALS

Costs associated with business set-ups, acquisitions and disposals amounted to EUR 36.8 million and include costs related to external advisors in connection with acquisitions and other M&A related activities.

TRANSFORMATION PROGRAMME

Costs related to the transformation programme amounted to EUR 57.8 million and included costs related to the transformation programme.

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

THOMAS COOK GROUP AND OTHER LOSSES INCLUDING HANDLING COST ETC.

On 23 September 2019 one of the Nets Group's customers, Thomas Cook, filed for bankruptcy and a cost of EUR 189 million was included in the financials, reflecting the Management best estimate of gross losses related to the bankruptcy, as the Nets Group has the financial liability to compensate the card scheme and/or the issuing bank for charge-backs that had arisen/will arise if a customer did not/will not receive the services for which they have paid and seek compensation from the card issuer. In 2020, we saw additional losses related to the Thomas Cook bankruptcy of EUR 13.7 million, taking the total losses to EUR 202.7 million. Refer to Note 3.2 for a further description of the risk exposure.

Note 2.3

Staff costs

Significant accounting policies

STAFF COSTS

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

EURm	Note	2020	2019
Staff costs			
Wages and salaries		(314.1)	(290.7)
Share-based payment cost	6.3	(1.7)	(0.1)
Pensions – defined contribution plans		(26.6)	(25.8)
Pensions – defined benefit obligations	7.1	(0.3)	(0.6)
Other social security contributions		(22.2)	(21.0)
Other employee costs		(28.4)	(42.9)
Total employee costs for the year		**(393.3)**	**(381.1)**
Employee costs included in development projects		35.6	25.2
Total employee costs expensed in the income statement		**(357.7)**	**(355.9)**
Employee costs included in special items	2.2	48.9	29.0
Total employee costs included in EBITDA before special items		**(308.8)**	**(326.9)**
Actuarial losses recognised in other comprehensive income	7.1	(0.3)	(0.7)
Average number of employees, full time equivalant		3,625	3,557
Year-end number of employees, full time equivalant		4,130	3,726

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

Note 2.4

Foreign currency exposure

Financial comments

TRANSACTION RISK

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

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

BUSINESS ACTIVITIES

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

GROUP FINANCIAL ASSETS AND LIABILITIES

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

- Cash at bank – the Group has cash at bank which is in different currencies relevant to underlying card-clearing structure. This and the Group's own cash are not being hedged.
- Borrowings – the Group has Senior Notes denominated in Euro (refer to Note 5.2 for further information).

FOREIGN EXCHANGE SENSITIVITY ANALYSIS

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

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

		2020		2019	
EURm	Probable change in currency	Net revenue	EBITDA	Net revenue	EBITDA
NOK	+10%	16.8	7.5	20.2	10.3
SEK	+10%	5.7	3.8	6.5	4.4
DKK	1%	3.1	0.9	3.1	1.0
PLN	10%	5.0	3.5	1.8	0.8
HRK	10%	2.6	0.0	4.9	0.3
EUR	+1%	N/A	N/A	N/A	N/A

Exchange rate EUR per 100	2020				
Key currencies	NOK	SEK	HRK	DKK	PLN
Average	9.32	9.52	13.24	13.42	22.47
End of year	9.44	9.91	13.19	13.44	22.02
Year-end change	(0.7%)	3.4%	(1.7%)	0.4%	(6.2%)

Exchange rate EUR per 100	2019				
Key currencies	NOK	SEK	HRK	DKK	PLN
Average	10.16	9.45	13.48	13.39	23.27
End of year	10.15	9.58	13.42	13.39	23.49
Year-end change	1.3%	(1.5%)	(0.3%)	-	1.1%

Note 2.4

Foreign currency exposure (continued)

Financial comments

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

2020

EURm	Cash and cash equivalents	Goodwill	Receivables[1]	Borrowings	Liabilities[2]	Net assets[3]	Probable change in currency	Hypothetical impact on result before tax	Hypothetical impact on equity
Exposure of balance in foreign currency									
NOK	111.1	803.0	100.1	(684.7)	(177.6)	**151.9**	10%	0.7	15.2
SEK	41.7	346.7	4.8	(299.0)	(70.0)	**24.2**	10%	(1.3)	2.4
DKK	(53.6)	1,026.9	420.0	(161.8)	(426.5)	**805.0**	1%	-	8.0
PLN	108.3	523.6	33.3	-	(114.5)	**550.7**	10%	-	55.1
CHF	64.1	22.9	3.2	-	(8.2)	**82.0**	10%	-	8.2
HRK	-	-	8.0	-	(2.6)	**5.4**	10%	-	0.5
Total	**271.6**	**2,723.1**	**569.4**	**(1,145.5)**	**(799.4)**	**1,619.2**			

2019

EURm	Cash and cash equivalents	Goodwill	Receivables[1]	Borrowings	Liabilities[2]	Net assets[3]	Probable change in currency	Hypothetical impact on result before tax	Hypothetical impact on equity
Exposure of balance in foreign currency									
NOK	115.5	859.1	105.7	(674.0)	(266.9)	**139.4**	10%	(18.4)	13.9
SEK	(5.7)	324.1	39.8	(287.4)	(70.8)	**-**	10%	(2.3)	-
DKK	(66.0)	1,017.9	614.0	-	(455.0)	**1,110.9**	1%	-	11.1
PLN	38.5	225.1	9.8	-	(75.2)	**198.1**	10%	0.4	19.8
HRK	1.0	-	13.3	-	(6.0)	**8.3**	10%	0.1	0.8
Total	**83.3**	**2,426.2**	**782.6**	**(961.4)**	**(873.9)**	**1,456.7**			

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

Section 3:

Working capital

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

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

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

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

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

In this section

Significant accounting policies

FINANCIAL ASSETS

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

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

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

SUBSEQUENT MEASUREMENT

Financial assets at amortised cost

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

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

INVENTORIES

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

TRADE AND OTHER PAYABLES

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

TRADE AND OTHER RECEIVABLES

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

Note 3.1.1

Inventories

EURm	2020	2019
Inventories		
Finished goods and merchandise	19.4	13.7
Total inventories (gross)	**19.4**	**13.7**
Inventory write-downs at year-end	(1.6)	(1.4)
Total inventories (net)	**17.8**	**12.3**
Movements in the inventory write-downs		
Inventory write-downs as at 1 January	(1.4)	(1.3)
Inventory write-downs during the year	(0.5)	(0.7)
Provisions utilized	0.3	0.6
Inventory write-downs as at 31 December	**(1.6)**	**(1.4)**

Write-downs of inventories to net realisable value amounted to EUR 0.5 million net (2019: EUR 0.7 million) and are included in cost of sales.

Note 3.1.2

Trade and other receivables

EURm	2020	2019
Trade receivables		
Trade receivables	176.2	147.4
Receivables from pay-later solution	185.3	137.9
Allowances for doubtful debts	(41.1)	(16.1)
Trade receivables, net	**320.4**	**269.2**
Deposits	4.4	4.8
Other receivables	6.6	3.9
Total	**331.4**	**277.9**

Note 3.1.2

Trade and other receivables (continued)

2020

EURm	Current	Less than 3 months past due	Past due 3-6 months	Past due 6-9 months	Past due 9-12 months	Past due more than 12 months	Total
Expected loss rate	1.21%	5%	56%	43%	87%	90%	
Trade receivables	145.2	16.2	2.5	3.2	2.2	6.9	176.2
Receivables from pay-later solution	94.9	59.6	6.5	3.6	2.3	18.4	185.3
Allowance for doubtful debts as at 31 December	**(2.9)**	**(3.7)**	**(5.0)**	**(2.9)**	**(3.9)**	**(22.7)**	**(41.1)**
Trade receivables, net							320.4

2019

EURm	Current	Less than 3 months past due	Past due 3-6 months	Past due 6-9 months	Past due 9-12 months	Past due more than 12 months	Total
Expected loss rate	0.64%	3%	22%	17%	31%	39%	
Trade receivables	127.2	10.6	1.9	1.1	1.4	5.2	147.4
Receivables from pay-later solution	61.6	45.9	3.9	3.5	2.5	20.5	137.9
Allowance for doubtful debts as at 31 December	**(1.2)**	**(1.5)**	**(1.3)**	**(0.8)**	**(1.2)**	**(10.1)**	**(16.1)**
Trade receivables, net							269.2

RELATED CREDIT RISK

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

Note 3.1.3

Trade and other payables

EURm	2020	2019
Trade and other payables		
Trade payables	112.4	91.5
Payables from pay-later solutions	83.5	79.8
Other liabilities	314.7	263.1
Total	**510.6**	**434.4**
Other liabilities		
Employee costs payable	99.6	84.4
Other payables	155.3	147.7
Interest payable	21.2	18.9
VAT and duties payable	38.6	12.1
Total	**314.7**	**263.1**

In 2020 other liabilities includes COVID-19 related postponement of employee tax in Denmark EUR 12.0 million and VAT in Germany EUR 21.1 million.

Note 3.2

Clearing-related balances

EURm	2020	2019
Clearing-related assets		
Settlement assets	514.9	787.6
Total	**514.9**	**787.6**
Clearing-related liabilities		
Merchant creditors	891.4	1,310.7
Settlement obligations	127.0	236.2
Total	**1,018.4**	**1,546.9**

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

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

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

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

Note 3.2

Clearing-related balances (continued)

CREDIT RISK MANAGEMENT

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

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

During 2020 Nets continued the work, initiated in 2019, to further strengthen the credit risk exposure including continued legal review of contracts, renegotiation of merchant credit risk insurance programmes, improved risk assesment for new merchants and improved monitoring of existing merchants.

Note 3.3

Cash and cash equivalents

Significant accounting policies

CASH AND CASH EQUIVALENTS

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

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

EURm	2020	2019
Cash at bank and on hand	728.4	956.2
Cash and cash equivalents as at 31 December	**728.4**	**956.2**
Bank overdrafts	(8.0)	(17.5)
Cash and cash equivalents as at 31 December, net	**720.4**	**938.8**
Restricted cash included in cash at bank and on hand	44.2	43.2

EURm	2020	2019
Cash and cash equivalants as at 31 December, net	**720.4**	**938.7**
Clearing-related assets as at 31 December	514.9	787.6
Clearing-related liabiliteis as at 31 December	(1,018.4)	(1,546.9)
Cash related to pass through Visa proceeds	(0.6)	(0.8)
Deposits from squeeze out	(0.1)	(0.6)
Own cash as at 31 December	**216.2**	**178.0**

Note 3.4

Financial risk management

Financial comments

LIQUIDITY AND FINANCING RISK MANAGEMENT

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

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

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

Settlement cash

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

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

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

MATURITY ANALYSIS

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

		2020					2019				
EURm	Note	< 1 month	1-3 months	4-12 months	> 1 year	Total	< 1 month	1-3 months	4-12 months	> 1 year	Total
Trade and other receivables including contract assets		290.9	23.2	35.0	10.0	**359.1**	201.2	37.1	23.7	26.4	**288.4**
Clearing-related assets		514.9	-	-	-	**514.9**	787.6	-	-	-	**787.6**
Total financial assets at the end of the year by maturity		**805.8**	**23.2**	**35.0**	**10.0**	**874.0**	**988.8**	**37.1**	**23.7**	**26.4**	**1,076.0**
Borrowings	5.2	615.4	42.1	236.6	4,263.9	**5,158.0**	386.3	119.3	109.1	3,952.9	**4,567.6**
Interest bearing loan from owners	5.2	-	-	1,368.2	255.6	**1,623.8**	-	-	-	1,585.0	**1,585.0**
Preferred Equity Certificates	5.2	-	-	-	772.8	**772.8**	-	-	-	711.9	**711.9**
Trade and other payables including contract liabilities		375.1	43.1	89.7	7.7	**515.6**	281.5	76.4	48.6	35.8	**442.3**
Merchant creditors		891.4	-	-	-	**891.4**	1,310.7	-	-	-	**1,310.7**
Clearing-related obligations		127.0	-	-	-	**127.0**	236.2	-	-	-	**236.2**
Other liabilities		2.0	0.4	331.6	15.7	**349.7**	0.9	0.5	1.8	167.3	**170.5**
Lease liabilities	5.3	3.8	1.8	15.2	74.6	**95.4**	3.9	2.4	17.7	85.5	**109.5**
Total financial liabilities at the end of the year by maturity		**2,014.7**	**87.4**	**2,041.3**	**5,390.3**	**9,533.7**	**2,219.5**	**198.6**	**177.2**	**6,538.4**	**9,133.7**

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

Note 3.5

Derivative financial instruments

THE GROUP HAS THE FOLLOWING DERIVATIVE FINANCIAL CERTIFICATES

EURm	2020	2019
Non-current assets		
Currency swap	-	9.3
Total non-current derivative financial instruments	**-**	9.3
Non-current liabilities		
Currency swap	30.1	-
Interest swaps	14.5	10.9
Total non-current derivative financial instruments	**44.6**	10.9

EURm	Cost of hedging reserve	Currency instruments	Interest rate Instruments	Total
As at 1 January 2019	(0.4)	(3.0)	(9.0)	(12.4)
Add: Change in fair value of hedging instrument recognised in OCI for the year	-	13.1	(1.7)	11.4
Add: Costs of hedging deferred and recognised in OCI	-	-	-	-
Less: Reclassified from OCI to profit or loss – included in finance costs	(0.7)	-	-	(0.7)
Less: Deferred tax	-	-	-	-
As at 31 December 2019	**(1.1)**	**10.1**	**(10.7)**	**(1.7)**

EURm	Cost of hedging reserve	Currency instruments	Interest rate Instruments	Total
As at 1 January 2020	(1.1)	10.1	(10.7)	(1.7)
Add: Change in fair value of hedging instrument recognised in OCI for the year	-	(38.7)	(3.4)	(42.1)
Less: Reclassified from OCI to profit or loss – included in finance costs	(0.8)	-	-	(0.8)
Less: Deferred tax	-	-	-	-
As at 31 December 2020	**(1.9)**	**(28.6)**	**(14.1)**	**(44.6)**

CLASSIFICATION OF DERIVATIVES

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

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

FAIR VALUE MEASUREMENTS

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

HEDGE INEFFECTIVENESS

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

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

There was no ineffectiveness during 2020 in relation to the currency swaps.

Note 3.5

Derivative financial certificates (continued)

MARKET RISK

Foreign exchange risk

Exposure

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

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

Instruments used by the Group

The Group's treasury policy includes a target to hedge a minimum of 50% of the Group's exposure to variable interest rates. This is done through a combination of interest rate swaps and cross-currency swaps. In total, 52% of the Group's exposure to variable interest rates was hedged as at 31 December 2020. In general, cross-currency swaps are used to match interest expenses (in NOK and EUR) with the currency in which the Group's cash flow is generated. By doing so, the Group is able to minimize its exposure to foreign exchange rates while at the same time hedging the exposure to floating rate exchange rates.

The fixed rate EUR interest and notional exposure related to the corporate bonds (notional of EUR 220 million) has been swapped to fixed rate DKK and NOK, respectively. The DKK/NOK currency swap ratio is determined based on the forecasted consolidated EBITDA origination in DKK and NOK, respectively. The cross-currency swaps used to hedge foreign exchange risk from the corporate bonds are classified as a cash flow hedge (EUR/DKK) and a hedge of net investment in a foreign operation (EUR/NOK), respectively, as the EUR/DKK swap is assessed to not qualify as a hedge of a net investment in a foreign operation.

Due to the Exchange Rate Mechanism ERM II agreed between the Danish Central Bank and The European Central Bank (ECB), that limits the EUR/DKK fluctuation band to +/- 2.25%, the hedge is considered effective.

The swaps in place to hedge foreign exchange risk from the corporate bonds matches the EUR payments on the bond until maturity in 2024. The cross-currency swaps replace the fixed EUR interest rate of 2.875% with a fixed DKK interest rate of 2.9285% and a fixed NOK interest rate of 4.7020%, respectively.

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

The Group's term loans are denominated in EUR and NOK. The floating rate interest exposure from the EUR denominated debt is hedged through interest rate swaps (notional of EUR 1,400 million) and EUR/SEK cross-currency swaps (notional EUR 279 million).

The floating rate interest exposure from the NOK-denominated debt is hedged through interest rate swaps (notional NOK 3,995 million). Both the EUR and NOK interest rate swaps are classified as cash flow hedges, as they swap floating rate interest rate exposure into fixed rates. The EUR/NOK cross-currency swaps are classified as a hedge of net investment in foreign operation.

The swaps in place to hedge exposure to variable interest rates match the payment dates of the term loans until 2022 and 2023.

Effects of hedge accounting on the financial position and performance.

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

	2020	2019
Currency certificates		
Carrying amount (assets/liability) (EURm)	(28.6)	10.2
Notional amount (EURm)	486.6	510.7
Maturity date	2022-2024	2022-2024
Change in fair value of outstanding hedging instruments since 1 January (EURm)	(38.7)	13.1
Hedged fixed interest rate until maturity	2.9285 % - 4.702 %	2.9285 % - 4.702 %
Interest certificates		
Carrying amount (asset/liability) (EURm)	(14.1)	(10.70)
Notional amount (EURm)	1,779.6	1,805.7
Maturity date	2022-2023	2022-2023
Change in fair value of outstanding hedging instruments since 1 January (EURm)	(3.4)	(1.70)
Hedged fixed interest rate until maturity	0.2865 % - 1.8255 %	0.2685 % - 1.8255 %

Section 4:

Strategic investments and divestments

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

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

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

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

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

In this section

Note 4.1

Business combinations and asset acquisitions

Significant accounting policies

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

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

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

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

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

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

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

Note 4.1

Business combinations and asset acquisitions

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

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

ACQUISITION OF BUSINESSES
In 2019 the Group acquired the Concardis Payment Group, Dotcard Group and the company PayPro. In January 2020 the Group acquired the companies Poplatek Payments Oy and Poplatek Oy and in October 2020 The Group acquired the "PeP Group" and the company CCV SA. In 2019 and 2020 the acquisitions will have the following effect on the Group's consolidated financial statements as at the reporting date:

	2020		2020		2020		2020		
	Poplatek Payments Oy		Poplatek Oy		CCV SA		PeP Group		
EURm	Book value on acquisition date	Opening Balance	Book value on acquisition date	Opening Balance	Book value on acquisition date	Opening Balance	Book value on acquisition date	Opening Balance	**Total 2020 acquisitions (Opening balance)**
Goodwill	-	9.3	-	5.3	-	23.0	37.3	318.5	**356.1**
Other intangibles	0.1	2.3	-	1.2	-	5.8	6.1	79.4	**88.7**
Plant and equipment	0.1	0.1	0.1	0.1	2.3	2.3	24.8	24.8	**27.3**
Investment in associates	-	-	-	-	-	-	-	-	**-**
Deferred tax assets	-	-	-	-	-	0.1	-	0.4	**0.5**
Other assets	0.5	0.5	0.3	0.3	2.4	2.2	24.4	23.5	**26.5**
Cash and cash equivalent	0.1	0.1	0.4	0.4	1.4	1.4	4.7	4.7	**6.6**
Deferred tax liabilities	-	(0.4)	-	(0.2)	-	(0.8)	(0.6	(15.1)	**(16.5)**
Borrowings	(0.3)	(0.3)	-	-	(0.7)	(0.7)	(52.9)	(52.9)	**(53.9)**
Other liabilities	(0.2)	(0.3)	(0.7)	(0.8)	(3.0)	(3.2)	(33.6)	(34.6)	**(38.9)**
Non-Controlling entities	-	-	-	-	-	-	-	-	**-**
Consideration transferred		**6.5**		**3.5**		**30.1**		**348.7**	388.8
Cash and cash equivalent in aquisition of business		(0.1)		(0.4)		(1.4)		(4.7)	**(6.6)**
Total cash consideration		**6.4**		**3.1**		**28.7**		**344.0**	**382.2**

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

Note 4.1

Business combinations and asset acquisitions (continued)

The combined acquisition has further strengthened the Group's presence in Finland and Europe and 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 and also the operational synergies expected from integration within the Group.

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

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

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

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

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

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

CCV SA
An agreement to acquire 100 % of the shares and voting rights in CCV SA was signed on 22 October 2020, with closing date 30 October 2020 for a total cash consideration of CHF 33 million (EUR 30 million).

The acquisition of CCV has further strengthened the Group's presence in Switzerland and Europe and will support the Merchant Services business within payment terminal services.

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

If the acquisition had occurred on 1 January 2020, pro-forma revenue and loss for the year ended 31 December 2020 would have been EUR 15.3 million and EUR 0.0 million, respectively.

Acquisition costs related to the purchase amounted to EUR 2.2 million.

2019:
CONCARDIS GMBH
An agreement to merge the Nets Group and Concardis Payment Group by issuing shares and preferred equity certificates was signed in June 2018 with closing date start January 2019 for the total consideration of EUR 698 million

In recent years, both companies have actively driven consolidation in their home countries through strategic acquisitions, especially within the high growth area of merchant services. With the merger, Nets Group and Concardis Payment Group combine market-leading positions as payment service champions in the Nordics and Germany. Both companies offer their customers a broad portfolio of payment services including offline, online, mobile, recurring payments and real-time services.

Both Nets Group and Concardis Payment Group enjoy leading positions in the Nordic region and the DACH region within merchant relevant payment solutions. Together, the joint Group will respectively be able to accelerate its European expansion and be a driving force behind the ongoing consolidation of the European payments industry.

With a strong foothold in the Nordics, as well as the DACH region, Nets Group and Concardis Payment Group form a solid foundation allowing for pursuing further opportunities in Europe.

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

Acquisition costs relating to the merger with the Concardis Payment Group amounted to EUR 14 million.

DOTCARD SP.Z O.O.
An agreement to acquire 100% of the share capital and voting rights of Dotcard Sp. z o.o. was signed in June 2018 with a closing date of 4 January 2019 for a total cash consideration of PLN 302 million (EUR 70 million). The cash consideration was transferred to the sellers at 4 January 2019.

The acquisition of the holding company Dotcard Sp. z o.o. including the fully owned subsidiaries eCard S.A. and Dotpay Sp. z o.o. has further strengthened the Group's European presence and gained access to the sixth-largest country in the EU with high growth in digital payments.

Note 4.1

Business combinations and asset acquisitions (continued)

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

Acquisition costs relating to the purchase amounted to EUR 2 million.

PAYPRO S.A.

An agreement to acquire 51% of the share capital and voting rights in PayPro was signed 8 February 2019 with a closing date 1 August 2019. The total purchase price for the acquisition of 51% of the shares, included a total cash consideration of EUR 100 million and a transfer of 49% of the ownership and voting rights of the Dotcard Group.

As of the closing date 1 August, 49% of the Dotcard Group, corresponded to a fair market value of EUR 35 million. In addition to this, the Group entered into a put/call option agreement to acquire the remaining 49% at an exercise price, based on a number of elements including Revenue and EBITDA in the following years.

The acquisition has further strengthened the Group's European presence and access to the sixth-largest country in the EU with high growth in digital payments.

	2019		2019		2019		
	Concardis GmbH		Dotcard Sp. z o.o.		PayPro S.A.		
EURm	Book value on acquisition date	Opening Balance	Book value on acquisition date	Opening Balance	Book value on acquisition date	Opening Balance	**Total 2019 acquisitions (Opening balance)**
Goodwill	426.3	766.4	-	56.6	-	154.3	**977.3**
Other intangibles	203.6	404.0	0.1	16.3	0.5	48.0	**468.3**
Plant and equipment	32.7	32.7	0.3	0.3	0.3	0.3	**33.3**
Investment in associates	3.2	3.2	-	-	-	-	**3.2**
Deferred tax assets	2.0	15.3	0.1	0.1	-	-	**15.4**
Other assets	359.5	359.5	10.4	9.7	2.4	2.4	**371.6**
Cash and cash equivalent	697.8	697.8	31.8	31.8	30.9	30.9	**760.5**
Deferred tax liabilities	(49.7)	(104.6)	-	(3.0)	(0.1)	(8.9)	**(116.5)**
Borrowings	(496.2)	(496.2)	(9.4)	(9.3)	-	-	**(505.5)**
Other liabilities	(953.4)	(980.3)	(31.8)	(31.8)	(26.9)	(28.0)	**(1,040.1)**
Non-Controlling entities	-	-	-	-	-	(99.0)	**(99.0)**
Consideration transferred		**697.8**		**70.7**		**100.0**	**868.5**
Payment in shares		**-**		**-**		**(34.4)**	**(34.4)**
Cash and cash equivalent in aquisition of business		(697.8)		(31.7)		(30.9)	**(760.4)**
Total cash consideration		**-**		**39.0**		**34.7**	**73.7**

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

If the acquisition had occurred on 1 January 2019, pro-forma revenue and loss for the year ended 31 December 2019 would have been EUR 16.0 million and EUR 9.4 million respectively.

Acquisition costs related to the purchase amounted to EUR 1.9 million.

Note 4.2

Intangible assets

Significant accounting policies

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

CUSTOMER AGREEMENTS AND RIGHTS
Customer agreements and rights are carried at historical cost less accumulated amortisation and any impairment loss. Amortisation is calculated using the straight-line method to allocate the cost over estimated useful life, which does not exceed:
- Customer agreements 3–15 years
- Rights 3–10 years.

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

DEVELOPMENT PROJECTS IN PROGRESS
Development costs that are directly attributable to the design and testing of identifiable and unique projects, including software products controlled by the Group, are recognised as intangible assets when the following criteria are met:
- It is technically feasible to complete the asset so that it will be available for use
- Management intends to complete the asset and there is an ability to use or sell it
- The asset will generate probable future economic benefits
- Expenditure attributable to the asset during its development can be reliably measured.

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

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

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

Key accounting estimates and judgements

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

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

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

Note 4.2

Intangible assets (continued)

2020

EURm	Goodwill	Other intangible assets: Customer agree-ments	Other intangible assets: Software	Other intangible assets: Devel-opment projects in progress	Other intangible assets	Total intangible assets
Accumulated cost as at 1 January	**3,755.6**	842.3	752.5	87.9	**1,682.7**	**5,438.3**
Additions from acquisitions	**356.1**	83.2	5.6	-	**88.8**	**444.9**
Additions	**-**	3.7	6.5	93.7	**103.9**	**103.9**
Transfer between asset groups	**-**	-	103.9	(103.9)	**-**	**-**
Assets disposed of	**-**	-	(30.8)	(5.0)	**(35.8)**	**(35.8)**
Currency translation adjustment	**(47.1)**	(6.9)	(8.7)	-	**(15.6)**	**(62.7)**
Reclassification to Assets held for sale	**-**	-	-	-	**-**	**-**
Accumulated cost as at 31 December	**4,064.6**	**922.3**	**829.0**	**72.7**	**1,824.0**	**5,888.6**
Accumulated amortisation and write-downs for impairment as at 1 January	**-**	(149.8)	(212.4)	-	**(362.2)**	**(362.2)**
Amortisation	**-**	(111.8)	(154.9)	-	**(266.7)**	**(266.7)**
Transfer between asset groups	**-**	-	-	-	**-**	**-**
Assets disposed of	**-**	-	30.7	-	**30.7**	**30.7**
Currency translation adjustment	**-**	1.8	3.0	-	**4.8**	**4.8**
Reclassification to Assets held for sale	**-**	-	-	-	**-**	**-**
Accumulated amortisation and write-downs for impairment as at 31 December	**-**	**(259.8)**	**(333.6)**	**-**	**(593.4)**	**(593,4)**
Carrying amount as at 31 December	**4,064.6**	**662.5**	**495.4**	**72.7**	**1,230.6**	**5,295.2**

2019

EURm	Goodwill	Other intangible assets: Customer agree-ments	Other intangible assets: Software	Other intangible assets: Devel-opment projects in progress	Other intangible assets	Total intangible assets
Accumulated cost as at 1 January	**3,993.4**	708.0	927.8	58.7	**1,694.5**	**5,687.9**
Additions from acquisitions	**977.2**	402.0	35.4	35.1	**472.5**	**1,449.7**
Additions	**-**	2.7	22.6	110.1	**135.4**	**135.4**
Transfer between asset groups	**-**	-	97.1	(97.1)	**-**	**-**
Assets disposed of	**-**	-	(28.4)	-	**(28.4)**	**(28.4)**
Currency translation adjustment	**13.0**	2.0	2.7	0.3	**5.0**	**18.0**
Reclassification to Assets held for sale	**(1,228.0)**	(272.4)	(304.7)	(19.2)	**(596.3)**	**(1,824.3)**
Accumulated cost as at 31 December	**3,755.6**	**842.3**	**752.5**	**87.9**	**1,682.7**	**5,438.3**
Accumulated amortisation and write-downs for impairment as at 1 January	**-**	(79.9)	(145.1)	-	**(225.0)**	**(225.0)**
Amortisation	**-**	(120.9)	(162.0)	-	**(282.9)**	**(282.9)**
Transfer between asset groups	**-**	-	-	-	**-**	**-**
Assets disposed of	**-**	-	28.5	-	**28.5**	**28.5**
Currency translation adjustment	**-**	(0.1)	(1.0)	-	**(1.1)**	**(1.1)**
Reclassification to Assets held for sale	**-**	51.1	67.2	-	**118.3**	**118.3**
Accumulated amortisation and write-downs for impairment as at 31 December	**-**	**(149.8)**	**(212.4)**	**-**	**(362.2)**	**(362.2)**
Carrying amount as at 31 December	**3,755.6**	**692.5**	**540.1**	**87.9**	**1,320.5**	**5,076.1**

Note 4.3

Plant and equipment

Significant accounting policies

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

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

The estimated useful life for this purpose is:
- Leasehold improvements: 10 years
- Terminals: 3-5 years
- Plant and machinery: 2–12 years

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

	2020				2019			
EURm	Leasehold improve-ments	Terminals	Plant and machinery	Total	Leasehold improve-ments	Terminals	Plant and machinery	Total
Accumulated cost as at 1 January	13.6	39.2	153.3	**206.1**	10.5	20.6	34.7	**65.8**
Impact from implementing IFRS 16	-	-	-	**-**	-	-	64.1	**64.1**
Additions from acquisitions	-	22.7	4.6	**27.3**	1.4	14.7	31.2	**47.3**
Additions	2.8	17.1	17.6	**37.5**	6.4	17.9	52.0	**76.3**
Assets disposed of	-	(23.0)	(14.6)	**(37.6)**	(4.8)	(13.4)	(30.7)	**(44.9)**
Currency translation adjustment	(1.1)	(0.6)	(8.2)	**(9.9)**	0.1	(0.6)	2.0	**1.5**
Accumulated cost as at 31 December	**15.3**	**55.4**	**152.7**	223.4	**13.6**	**39.2**	**153.3**	206.1
Accumulated depreciation and write-downs for impairment as at 1 January	1.1	(12.4)	(17.2)	**(28.5)**	(1.4)	(3.0)	(7.1)	**(11.5)**
Depreciation	(2.6)	(17.3)	(32.6)	**(52.5)**	(2.2)	(16.6)	(39.3)	**(58.1)**
Write-downs for impairment	-	-	-	**-**	-	-	-	**-**
Assets disposed of	-	21.8	13.6	**35.4**	4.8	7.2	29.8	**41.8**
Currency translation adjustment	0.5	0.6	4.2	**5.3**	(0.1)	0.0	(0.6)	**(0.7)**
Accumulated depreciation and write-downs for impairment as at 31 December	**(1.0)**	**(7.3)**	**(32.0)**	(40.3)	**1.1**	**(12.4)**	**(17.2)**	(28.5)
Carrying amount as at 31 December	**14.3**	**48.1**	**120.7**	183.1	**14.7**	**26.8**	**136.1**	177.6

Terminals are leased by the Group to third-party merchants under operating leases. These operating leases are under various agreements which terminate in 2021 and 2023. The agreements include an extension option.

Note 4.4

Impairment tests

Significant accounting policies

IMPAIRMENT OF GOODWILL

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

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

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

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

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

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

IMPAIRMENT OF OTHER INTANGIBLE ASSETS AND PLANT AND EQUIPMENT

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

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

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

Key accounting estimates and judgements

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

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

EURm	**2020**	**2019**
Cash-generating unit		
Merchant Services	2,923.0	2,600.8
Issuer & eSecurity Services	1.141,6	1,154.8
Total	**4,064.6**	3,755.6

MERCHANT SERVICES

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

ISSUER & ESECURITY SERVICES

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

Note 4.5

Investment in associates

Significant accounting policies

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

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

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

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

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

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

EURm	2020	2019
Investment in associates		
Accumulated cost as at 1 January	34.6	31.4
Additions from acquisitions	-	3.2
Currency translation adjustment	-	-
Accumulated cost as at 31 December	**34.6**	**34.6**
Revaluation as at 1 January	0.7	1.1
Adjustment previous year	-	(1.1)
Dividend distributed	(0.6)	(0.9)
Share of result after tax	1.1	1.6
Currency translation adjustment	0.2	-
Revaluation as at 31 December	**1.4**	**0.7**
Carrying amount as at 31 December	**36.0**	**35.3**
Fair value recognition from business combinations	**29.0**	**28.9**
Carrying amount excluding fair value recognition from business combinations as at 31 December	**7.0**	**6.4**

	2020							2019						
						Nets' share							Nets' share	
EURm	Share	Currency	Revenue	Result for the year	Net assets	Equity	Result for the year	Share	Currency	Revenue	Result for the year	Net assets	Equity	Result for the year
Company name														
e-Boks A/S, Denmark	50%	DKK	30.9	5.3	28.4	5.4	2.6	50%	DKK	28.7	1.9	18.4	2.5	0.9
WEAT Electronic Datenservice GmbH, Germany	40%	EUR	11.4	2.0	8.5	2.3	0.8	40%	EUR	11.1	2.6	8.5	2.3	1.0
Orderbird AG, Germany*	20.84%	EUR	**	(2.2)	9.4	0.4	(0.5)	20.84%	EUR	**	(4.5)	7.2	0.2	(1.0)
Total				**5.1**	**46.3**	**8.1**	**2.9**				**(0.0)**	**34.1**	**5.0**	**0.9**

* Reporting date 30 September 2019
** Operating result. Orderbird AG do not announce revenue in the public Annual Report.
Financial figures are according to latest public Annual Report.

Note 4.6

Discontinued operations

Significant accounting policies

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

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

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

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

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

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

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

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

EURm	2020	2019
Result from discontinuing operations		
Revenue, gross	280.9	291.0
Interchange fees and processing fees	(1.0)	(0.9)
Revenue, net of interchange fees and processing fees	**279.9**	**290.1**
Cost of sales	(92.8)	(94.1)
External expenses	(70.4)	(51.1)
Staff costs	(35.8)	(47.9)
Operating result before depreciation and amortisation (EBITDA)	**80.9**	**97.0**
Amortisation of business combination intangibles, customer agreements & impairment losses	-	(44.3)
Underlying depreciation and amortisation	-	(1.1)
Result before tax	**80.9**	**51.6**
Income taxes	(19.4)	(15.9)
Result from discontinuing operations	**61.5**	**35.7**

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

For Goodwill and Other intangible assets a majority of the values previously allocated to the Corporate Services business has been allocated to discontinued operations based on an evaluation of the individual cash inflows. The change in deferred tax from liability to asset is due to the taxable merger in Denmark, which created a step up in tax values on intangible assets.

Note 4.6

Discontinued operations (continued)

EURm	2020	2019
Net cash from discontinuing operations		
Net cash from operating activities*	84.8	96.5
Net cash from investing activities	(16.8)	(12.4)
Total	**68.0**	84.1
Assets held-for-sale		
Goodwill	1,202.6	1,228.0
Other intangible assets	483.3	478.0
Deferred tax asset	77.9	-
Trade and other receivables	13.2	11.9
Contract assets	0.7	2.9
Prepayments	2.2	4.1
Total	**1,779.9**	**1,724.9**
Liabilities held-for-sale		
Pension liabilities, net	-	0.7
Deferred tax liabilities	-	103.8
Trade and other payables	32.6	24.2
Contract liabilities	1.7	-
Current tax liabilities	10.2	-
Total	**44.5**	**128.7**

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

Section 5:

Funding and capital structure

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

In this section

Note 5.1

Share capital

Significant accounting policies

EQUITY

Dividends

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

Foreign currency translation reserve

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

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

Hedge reserve

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

Financial comments

CAPITAL MANAGEMENT

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

Within the Group, certain subsidiaries and branches are registered as payment institutions in Denmark (Nets Denmark and Centurion DK), in Finland (Nets Denmark, Finnish Branch and Paytrail), in Poland (Dotpay, eCard, PayPro, PayLane and BillBird) and in Germany (Concardis and RatePAY), and therefore such subsidiaries and branches are subject to minimum capital requirements imposed by local authorities.

Note 5.1

Share capital (continued)

	2020		2019	
	Number of shares ('000)	**Nominal value (EURm)**	**Number of shares ('000)**	**Nominal value (EURm)**
Share capital				
Share capital as at 1 January	1,100,000	1.5	1,100,000	1.5
Share capital as at 31 December	**1,100,000**	**1.5**	**1,100,000**	**1.5**

Nets Topco 2 S.á r.l. was incorporated on 4 October 2017. During 2018 the share capital was increased by DKK 10,910,691.20 to DKK 11 million at the end of 2018. The share capital has been unchanged since and consists of 1,100,000,000 shares each share with a nominal value of DKK 0.1.

Note 5.2

Borrowings and related risks

Significant accounting policies

FINANCIAL LIABILITIES

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

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

Loans and borrowings

This is the category most relevant to the Group.

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

Derecognition

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

DERIVATIVE FINANCIAL CERTIFICATES AND HEDGE ACCOUNTING

Derivative financial certificates used for cash flow hedges and hedges of net investments in subsidiaries are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Gains or losses arising from changes in the fair value of derivatives are recognized directly in the OCI as cash flow hedge reserve, except for the ineffective portion of cash flow hedges, which is recognised in the income statement as financial items.

Income and costs relating to cash flow hedges and hedges of net investments in subsidiaries are transferred from OCI on realization of the hedged item and are recognized as financial income or financial costs.

Note 5.2

Borrowings and related risks (continued)

LOANS AND BORROWINGS

The Leveraged Buy Out facilities are mixed first and second lien secured debt, and benefit cross-guarantees and security provided by Nets Topco 3 S.à r.l., Nets Topco 4 S.à r.l., Nets Holdco 1 ApS, Nets Holdco 2 ApS, Nets Holdco 3 ApS, Nets Holdco 4 ApS, Nets Holdco 5 AS, Evergood Germany 1 GmbH and Evergood Germany 2 GmbH.

They consist of a combination of four seven-year first lien term loans (EUR 1,640 million, EUR 595 million, EUR 300 million and NOK 2,795 million) and three eight-year second lien term loans (EUR 190 million, EUR 100 million and NOK 3,844 million) as well as a six and a half-year, multi-currency, revolving credit facility ('RCF') terminating in August 2024, a seventeen month, multi-currency, additional revolving credit facility ("RCF II") terminating in February 2021 and a twelve month, multi-currency, revolving facility ("RCF III") terminating in April 2021. Subject to certain conditions, the RCF II will convert into a first lien term loan with similar maturity as the existing first lien term loans if not repaid by February 2021. The RCF commitment is EUR 240 million, of which EUR 24 million are carved out in an overdraft facility ('Overdraft Facility') and EUR 2 million are committed as a bank guarantee. The RCF II commitment is EUR 300 million and the RCF III commitment is EUR 300 million.

Together, the RCF, the Overdraft Facility, the RCF II and the RCF III are available for general corporate purposes of the Group. As of 31 December 2020, the RCF was drawn EUR 214 million, EUR 213 million netted of unamortised debt cost (2019: EUR 108 million, EUR 106 million netted of unamortised debt cost), leaving EUR 0 million (2019: EUR 103 million) undrawn. The Overdraft Facility was undrawn (2019: EUR 10 million) as of 31 December 2020 leaving EUR 24 million (2019: EUR 14 million) available.

As of 31 December 2020, the RCF II was drawn EUR 300 million, EUR 298 million netted of unamortised debt cost (2019: EUR 271 million, EUR 270 million netted of unamortised debt cost), leaving EUR 0 million (2019: EUR 29 million) undrawn. As of 31 December 2020, the RCF III was drawn EUR 96 million, EUR 94 million netted of unamortised debt cost (2019: EUR 0 million, EUR 0 million netted of unamortised debt cost), leaving EUR 204 million (2019: EUR 0 million) undrawn.

Further, the Group has EUR 220 million Senior notes outstanding, with cross-guarantees and security provided by Nets Topco 3 S.à r.l., Nets Topco 4 S.à r.l., Nets Holdco 1 ApS, Nets Holdco 2 ApS, Nets Holdco 3 ApS, Nets Holdco 4 ApS, Nets Holdco 5 AS, Nassa Topco AS, Nassa A/S, Nets A/S, Nets Holding A/S, Nets Denmark A/S, Evergood Germany 1 GmbH and Evergood Germany 2 GmbH. The Senior Notes (EUR 220 million) are issued by Nassa Topco AS an indirect subsidiary of Nets Topco 2 S.à.r.l. The future payments of the Senior notes have been swapped to DKK (DKK 1,204 million) and NOK (NOK 530 million) with fixed interest rates until maturity and final exchange of notional at maturity.

Apart from the Group borrowings, three subsidiary credit facilities are in place. Nets CEE d.o.o has a 1-year revolving credit facility (EUR 5 million) available for general corporate purposes. As of 31 December 2020, EUR 1 million of the Mercury Processing Services RCF was drawn. Ratepay GmbH has a 1-year EUR 125 million credit facility available, of which EUR 106 million was drawn as of 31 December 2020. CCV Switzerland SA has an open-ended CHF 1 million credit facility available, of which CHF 0 million was drawn as of 31 December 2020.

REPAYMENT OF EXISTING DEBT IN RELATION TO THE LEVERAGED BUY OUT FACILITIES AND DE-LISTING

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

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

CLEARING WORKING CAPITAL FACILITIES

In addition to the LBO facilities, the Senior Notes, the RCFs and the subsidiary credit facilities, the Group has separate credit lines available for clearing working capital purposes; EUR 205 million on a committed basis, which was temporarily increased to EUR 300 million as of 31 December 2020 due to the holiday season. In addition, a EUR 30 million money market line is available on an uncommitted basis. On 31 December 2020, the overdraft facilities for clearing working capital was drawn by EUR 8 million (2019 EUR 7 million), leaving EUR 292 million undrawn (2019: EUR 398 million). In addition, the Group has three intra-day facilities available at relationship banks (EUR 300 million, EUR 105 million and NOK 400 million). Relationship banks (EUR 300 million, EUR 105 million and NOK 400 million).

Note 5.2

Borrowings and related risks (continued)

	2020								2019
	Interest rate								
EURm	Nominal	Effective	Year of maturity	Currency	Available facility	Drawn amount	Amount hedged	Carrying amount	Carrying amount
Term and maturity of the Group's interest bearing loans and borrowing									
Term Loan 1 (EUR)	EURIBOR + 3.25%[1]	3.71%	2025	EUR	1,640.4	1,640.4	1,279.4	1,618.4	1,613.2
Term Loan 1 (EUR) II	EURIBOR + 3.75%[1]	3.97%	2025	EUR	595.0	595.0	400.0	587.5	582.7
Term Loan 1 (EUR) III	EURIBOR + 3.75%[1]	3.75%	2025	EUR	300.0	300.0	-	295.3	-
Term Loan 1 (NOK)	NIBOR + 4.00%[1]	5.74%	2025	NOK	264.9	264.9	264.9	261.1	277.9
Term Loan 2 (EUR)	EURIBOR + 7.00%[2]	8.00%	2026	EUR	190.0	190.0	-	187.1	185.4
Term Loan 2 (EUR)	EURIBOR + 7.00%[2]	8.00%	2026	EUR	100.0	100.0	-	98.2	-
Term Loan 2 (NOK)	NIBOR + 8.00%[2]	9.36%	2026	NOK	364.4	364.4	113.7	356.6	378.5
Revolving credit facility(3)	IBOR + 3.25%[1]	3.25%	2024	Multi	240.0	213.9	-	212.6	105.6
Revolving credit facility II	IBOR + 3.75%[1]	3.75%	2021	Multi	300.0	300.0	-	298.3	269.5
Revolving credit facility III	IBOR + 8.00%[1]	8.00%	2021	Multi	300.0	95.5	-	93.6	-
Senior notes	2.88%	4.01%	2024	EUR	219.6	219.6	207.6	217.9	217.3
Credit facility	2.55%	2.55%	2021	EUR	125.0	105.8	-	105.8	83.5
Revolving Credit Facility	EURIBOR + 1.50%[1]	1.50%	2021	EUR	4.5	0.8	-	0.8	2,6
Revolving Credit Facility	4.50%	4.50%	2021	CHF	0.9	-	-	-	-
Total long term borrowings (non-current liabilities)								**4,333.2**	**3,716.2**
Overdraft Facility (own cash)[2]	IBOR + 2.5%	2.5%	2025	Multi	24.0	-	-	-	10.3
Overdraft Facility (clearing-related balances)[4]				Multi	205.0	8.0	-	8.0	7.2
Money Market (clearing-related balances)				Multi	30.0	-	-	-	-
Total short-term borrowings (current liabilities) – Included in own cash calculation								**8.0**	**17.5**
Total loans and borrowings								**4,341.2**	**3,733.7**

As at 31 December 2020, total long term borrowings included the following: Preferred Equity Certificates at carrying amount EUR 773 million (2019: EUR 713 million). Nominal and effective interest rate is 0.0 %. Year of maturity is 2028 and currency of the facility is DKK. Available facility is EUR 1,335 million (2019: EUR 1,331 million), and equals the drawn amount. Interest Bearing Loan from owners at carrying amount EUR 1,368.2 (2019: EUR 1,339.1). Nominal interest rate is 1.75% and effective interest rate is 1.80%. Year of maturity is 2021 and currency of the facility is DKK. Available facility is EUR 1,368.2 million (2019: EUR 1,339.1), and equals the drawn amount. Interest Bearing Loan from owners at carrying amount EUR 255.5 (2019: EUR 245.9). Nominal interest rate is 3.5% and effective interest rate is 3.5%. Year of maturity is 2024 and currency of the facility is DKK. Available facility is EUR 255.5 million (2019: EUR 245.9), and equals the drawn amount.

1. For the 1st Lien Term Loans and Revolving Credit Facility, there is a floor of 0.0% on the EURIBOR and NIBOR.
2. For the 2nd Lien Term Loans there is a floor of 1.0% on the EURIBOR and NIBOR.
3. Revolving Credit Facility commitment is EUR 240 million and overdraft carveout of EUR 24 million.
4. Overdraft Facility for Clearing Working Capital ("CWC") with commitment of EUR 205 million in bank lines.

Note 5.2

Borrowings and related risks (continued)

EURm	2020	2019
Net interest-bearing debt		
Total long term borrowings exclusive of lease liabilities (non-current liabilities)	4,333.2	3,716.2
Interest Bearing Loan from owners	1,623.7	1,585.0
Preferred Equity Certificates	772.8	711.9
Capitalised debt costs included in carrying amount	57.1	67.9
Own cash	(216.2)	(178.0)
Net interest-bearing debt	**6,570.6**	**5,903.0**

EURm	Carrying amounts	Contractual cash flow	2020 <1 year	1-2 years	3-4 years	> 5 years
Maturity						
Senior Debt	3,404.2	4,199.9	168.4	337.0	3,027.8	666.7
Senior Notes	217.9	239.9	7.5	15.1	217.3	-
Revolving Credit Facility	711.1	718.2	718.2	-	-	-
Clearing-related Facilities	8.0	8.0	8.0	-	-	-
Preferred Equity Certificates	772.8	1334.5	-	-	-	1,334.5
Interest Bearing Loan from owner	1,623.7	1,663.2	1,380.0	-	283.2	-
Total	**6,737.7**	**8,163.7**	**2,282.1**	**352.1**	**3,528.3**	**2,001.2**

EURm	Carrying amounts	Contractual cash flow	2019 <1 year	1-2 years	3-4 years	> 5 years
Maturity						
Senior Debt	3,037.7	3,851.5	140.8	273.1	262.8	3,174.8
Senior Notes	217.3	249.4	7.3	14.5	227.6	-
Revolving Credit Facility	461.2	466.6	466.6	-	-	-
Clearing-related Facilities	7.2	7.2	7.2	-	-	-
Preferred Equity Certificates	711.9	1,331.0	-	-	-	1,331.0
Interest Bearing Loan from owner	1,585.0	1,666.2	-	1,374.3	291.9	-
Total	**6,020.3**	**7,571.9**	**621.9**	**1,661.9**	**782.3**	**4,505.8**

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

Note 5.3

Leases

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

EURm	Property	Equipment	2020
Lease assets			
Lease assets as at 1 January 2020	84.8	11.3	96.1
Additions from acquisitions	-	0.3	0.3
Additions	8.5	6.3	14.8
Remeasurement of leases	0.1	(0.2)	(0.1)
Depreciation	(17.3)	(6.4)	(23.7)
Currency translation	0.4	0.1	0.5
Total lease assets as at 31 December 2020	**76.5**	**11.4**	**87.9**

EURm	Property	Equipment	2019
Lease assets			
Lease assets as at 1 January 2019	-	6.8	6.8
Impact from implementing IFRS 16	61.8	2.3	64.1
Additions from acquisitions	14.3	3.8	18.1
Additions	26.9	5.3	32.2
Depreciation	(18.2)	(6.9)	(25.1)
Total lease assets as at 31 December 2019	**84.8**	**11.3**	**96.1**

Leases (continued)

EURm	2020	2019
Lease liabilities		
Commitments in relation to lease liabilities are payable as follows:		
Less than 1 year	20.8	23.9
1-5 years	45.9	48.2
More than 5 years	28.7	37.4
Minimum lease payments	**95.4**	**109.5**
Future finance charges	(9.7)	(9.4)
Recognised as a liability	**85.7**	**100.1**
The present value of the lease liabilities is as follows:		
Less than 1 year	17.8	23.0
1-5 years	41.8	43.8
More than 5 years	26.1	33.3
Minimum lease payments	**85.7**	**100.1**

EURm	2020	2019
Lease, Other disclosures		
Interest expenses, lease liabilities	(2.6)	(2.0)
Total Cash outflow	(25.2)	(19.2)
Expense of Short team leases	-	(0.2)

Note 5.4

Net financials

Significant accounting policies

FINANCIAL ITEMS

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

EURm	2020	2019
Financial income		
Net foreign exchange gains	12.2	2.8
Fair value adjustment of financial liabilities	2.2	-
Other income etc.	23.4	-
Total financial income, exclusive of refinancing costs	**37.8**	**2.8**
Financial expenses		
Interest expense	(181.6)	(165.3)
Interest expense preferred equity certificates	(56.6)	(102.4)
Interest expense lease liabilities	(2.6)	(2.6)
Net foreign exchange loss	(3.9)	(1.2)
Interest expense loans from owner	(32.3)	-
Fair value adjustment of financial liabilities	-	(10.8)
Amortisation of transaction costs	(22.3)	(13.9)
Other fees etc.	(17.7)	(11.2)
Total financial expenses, exclusive of refinancing costs	**(317.0)**	**(307.4)**
Financial income and expenses, net	**(279.2)**	**(304.5)**
Financial expenses - refinancing costs		
Extraordinary amortisation of transaction costs in connection with refinancing.	(9.1)	-
Total financial expenses - refinancing costs	**(9.1)**	**-**

Note 5.5

Interest risk management

The Group is exposed to interest rate risk on loans, credits and cash balances as well as mismatches on maturities between loans and cash, resulting in variable interest cash flows.

The Group's loan arrangements are based on variable interest rates. Cash held at variable rates partly offsets risk arising from changing interest rates on the Group's loans and credits.

EURm	Variable, non-contractual	Contractual variable rates < 1 month	Total
Exposure to changes in interest rates			
Cash and cash equivalents	728.4	-	**728.4**
Bank loans	-	4,333.2	**4,333.2**
Preferred Equity Certificates	-	772.8	**772.8**
Interest Bearing Loan from owners	-	1,623.8	**1,623.8**
Overdraft facilities	-	8.0	**8.0**
Net	**728.4**	**6,737.8**	**7,466.2**

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

	2020			2019	
EURm	Probable change in interest	Hypothetical impact on result for the year	Hypothetical impact on equity	Hypothetical impact on result for the year	Hypothetical impact on equity
Borrowings	1 p.p.	(12.1)	4.9	(9.7)	33.4

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

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

Note 5.6

Other Liabilities

Other liabilities consist of deferred considerations of EUR 19.7 million and Put-option liabilities of EUR 330 million related to the Groups merger and acquisition activities. Liabilities has been measured in accordance with the earn-outs/put-options clauses in the various agreements based on Management best view on key input to estimate the discounted future cash flow obligations.

Note 5.7

Commitments, contingencies and collaterals

Significant accounting policies

COMMITMENTS

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

CONTINGENCIES

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

Section 6:

Tax and Governance

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

In this section

Note 6.1

Income and deferred income taxes

Significant accounting policies

INCOME TAXES

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

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

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

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

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

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

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

Note 6.1

Income and deferred income taxes (continued)

Key accounting estimates and judgements

DEFERRED TAX ASSETS

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

As at 31 December 2020, the carrying amount of the deferred tax assets was EUR 34.9 million and unrecognised tax losses amounted to EUR 64.5 million (2019: EUR 9 million) of which EUR 59.2 million will be forfeited upon change of ownership. In connection with the demerger of the Centurion activities a net payable tax of EUR 182 million was realized in 2020. The demerger also created a corresponding step-up value in the divested entities, offsetting the impact in the income statement. Please refer to note 4.6.

EURm	2020	2019
Income taxes expensed		
Current tax on result for the year	17.0	(34.8)
Deferred tax on result for the year	2.3	69.4
Adjustments related to previous years – current tax	1.5	(0.6)
Income taxes in the Income statement	**20.8**	**34.0**

EURm	2020	2019
Income taxes paid		
Income taxes paid in Denmark	(16.8)	(7.3)
Income taxes paid outside Denmark	6.0	(12.8)
Total income taxes paid	**(10.8)**	**(20.1)**

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

EURm	2020	2019
Result before tax	**(478.2)**	**(550.4)**
Income tax expense calculated at domestic tax rate	119.3	137.3
Deviation in foreign subsidiaries' tax rates compared with Luxemburg tax rate	(2.3)	1.4
Permanent differences [1]	(64.9)	(69.9)
Not recognised tax losses utilised or capitalised	(48.2)	(9.8)
Currency translation adjustment	12.6	(0.1)
Change in income tax rates on deferred tax	-	(0.1)
Other taxes	4.3	(24.8)
Income tax expense recognised in the income statement	**20.8**	**34.0**

EURm	2020	2019
Computation of effective tax rate percentage		
Statutory corporate income tax rate in Luxemburg	24.9%	24.9%
Deviation in foreign subsidiaries' tax rates compared with Luxembourg tax rate	(0.5%)	0.3%
Permanent differences [1]	(13.4%)	(12.7%)
Not recognised tax losses utilised or capitalised	(10.2%)	(1.8%)
Currency translation adjustment	2.7%	-
Change in income tax rates on deferred tax	-	-
Other taxes	0.9%	(4.5%)
Effective tax rate	**4.4%**	**6.2%**

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

Note 6.1

Income and deferred income taxes (continued)

	2020						
EURm	Intangible assets	Plant & equipment	Inventories	Other accruals	Employee benefits obligation	Deferred tax losses carried forward	Total
Development in deferred income tax assets and liabilities							
Net deferred tax assets/(liabilities) as at 1 January	(261.2)	3.2	0.1	26.0	1.8	17.1	**(213.0)**
Additions from acquisitions	(16.1)	0.4	-	0.1	-	0.1	**(15.5)**
Deferred tax on result for the year	30.9	(1.2)	(0.1)	(20.3)	(1.2)	(3.1)	**5.0**
Adjustment to previous year tax	(0.4)	1.6	-	(0.5)	-	8.8	**9.5**
Currency translation adjustment	2.0	(0.2)	-	(0.1)	-	-	**1.7**
Net deferred tax assets/(liabilities) as at 31 December	**(244.8)**	**3.8**	**-**	**5.2**	**0.6**	**22.9**	**(212.3)**
Classified as follows:							34.9
Deferred tax asset as at 31 December							247.2
Deferred tax liability as at 31 December							

	2019						
EURm	Intangible assets	Plant & equipment	Inventories	Other accruals	Employee benefits obligation	Deferred tax losses carried forward	Total
Development in deferred income tax assets and liabilities							
Net deferred tax assets/(liabilities) as at 1 January	(309.1)	3.9	0.1	1.5	0.8	24.0	**(278.8)**
Deferred tax on items transferred to assets held for sale	114.0	-	-	-	-	-	**114.0**
Additions from acquisitions	(116.4)	-	-	9.4	-	3.9	**(103.1)**
Deferred tax on result for the year	49.4	(0.7)	-	15.1	1.0	0.7	**65.5**
Deferred tax on result on discontinued operations	-	-	-	-	-	(11.5)	**(11.5)**
Currency translation adjustment	0.9	-	-	-	-	-	**0.9**
Net deferred tax assets/(liabilities) as at 31 December	**(261.2)**	**3.2**	**0.1**	**26.0**	**1.8**	**17.1**	**(213.0)**
Classified as follows:							
Deferred tax asset as at 31 December							53.2
Deferred tax liability as at 31 December							266.2

Note 6.2

Related party transactions

RELATED PARTY TRANSACTIONS

As at 31 December 2020 the Group was controlled by Evergood H&F Lux S.à r.l. (Luxembourg), which holds 45,57% of the shares and 53,94% of the voting rights in Nets Topco 1 S.à r.l. which is the parent company of Nets Topco 2 S.à r.l.

Related parties with significant influence are the Board of Managers, Key Personnel and their related parties. Furthermore, related parties are companies in which the above persons have significant interests, as well as associates of the Group. All transactions with related parties are made on arm's length terms except the preferred equity certificates as described in Note 5.2 and Note 7.3.

Transactions with associated companies, comprise mainly administrative services amounting to EUR 6.6 million.

There were no transactions with members of the Board of Managers and other Key Personnel, other than remuneration, and furthermore, no loans were granted to the Board of Managers or other Key Personnel in 2020.

REMUNERATION OF THE BOARD OF MANAGERS AND KEY PERSONNEL

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

At year-end 2020, Key Personnel consisted of seven members (2019: seven members).

In the event that a member of the Key Personnel is dismissed, the ordinary fixed base salary, bonuses etc. are paid for a 12-month notice period and an additional severance of 12 months' fixed salary to the CEO. In the event of change of control, the members of the Key Personnel do not receive any additional compensation.

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

	2020			2019		
EURm	Board of Managers	Key Personnel*	Total	Board of Managers	Key Personnel*	Total
Fixed base salary	(0.1)	(3.1)	**(3.2)**	(0.1)	(3.1)	**(3.2)**
Bonus including termination bonus and sign-on fee (2019)	-	(2.5)	**(2.5)**	-	(5.8)	**(5.8)**
Pensions	-	(0.3)	**(0.3)**	-	(0.3)	**(0.3)**
Benefits	-	(0.2)	**(0.2)**	-	(0.2)	**(0.2)**
Total remuniration	**(0.1)**	**(6.1)**	**(6.2)**	**(0.1)**	**(9.4)**	**(9.5)**

* Includes Key Personnel that is part of the discontinued operations.

Note 6.3

Share-based payment

Accounting policies

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

EMPLOYEE SHARE PROGRAMME

In August 2019 an all Employee share program was announced with the purpose of giving all employees of the Nets Group the opportunity to become co-owners of the Nets Group. Under the program employees could invest in the Nets Group and have their investment matched with two free shares if participating employees are employed when the Nets Group is either sold or if its shares are offered in an initial Public Offering. The matching shares were granted at 13 December 2019 and were expected to vest 36 months from grant date. The total value of the programme at grant date amounts to EUR 5.0 million. In connection with the Nexi transaction a change of control clause will be triggered and the remaing value of the programme will be recognised in the period until expected closing. The cost recognised in 2020 amounts to EUR 1.7 million (2019: 0.1 million).

Note 6.4

Fee to statutory auditors

EURm	2020	2019
Remuneration to Auditors (PwC as elected by the Annual General Meeting)		
Statutory audit	**(1.6)**	**(1.8)**
Non-statutory audit services:		
Other assurance engagements	(1.2)	(0.3)
Tax advisory services	(0.2)	(0.2)
Other services	(0.8)	(2.0)
Total non-statutory audit services	**(2.2)**	**(2.5)**
Total	**(3.8)**	**(4.3)**

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

Section 7:

Other disclosures

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

In this section

Note 7.1

Pension assets and pension obligations, net

Significant accounting policies

PENSIONS

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

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

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

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

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

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

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

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

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

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

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

Note 7.1

Pension assets and pension obligations, net (continued)

Key accounting estimates and judgements

DEFINED BENEFIT PENSION PLANS

The Group has defined benefit pension plans mainly in Norway and Germany. The defined benefit plans have been closed. Employees covered by the plans will continue to be entitled to the pension payments earned however, employees will not earn further pension payments and no new members are entering into the agreements.

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

EURm	2020	2019
Assets and obligations		
Specification of pensions		
Fair value of plan assets	11.3	11.6
Projected benefit obligations	(17.4)	(17.9)
Pension assets/(obligations) recognised in the balance sheet	**(6.1)**	**(6.3)**
Change in pension assets/(obligations) recognised in the balance sheet		
Pension assets/(obligations) recognised in the balance sheets as at 1 January	(6.3)	(5.2)
Additions from aquisitions	(0.2)	(1.6)
Pension (costs)/income recognised in the income statement	(0.3)	(0.6)
Actuarial gain/(loss) on projected benefit obligations and plan assets recognised in Other comprehensive income	(0.3)	(0.7)
Gain on plan assets	0.1	0.2
Nets' contribution	0.2	0.5
Benefit paid to employees	0.3	0.4
Gain from transfer of employees to external part	-	0.2
Settlement/Curtailment	0.2	-
Exchange rate adjustments	0.2	(0.2)
Reclassification to liabilities held-for-sale	-	0.7
Pension assets/(obligations) recognised in the balance sheet as at 31 December	**(6.1)**	**(6.3)**

	Assumptions		**2020 Sensitivity**		**2019 Sensitivity**	
	2020	2019	+1 %-point	(1 %-point)	+1 %-point	(1 %-point)
Discount rate	0.9%-1.7%	0.9%-2.3%	(2.8)	3.0	(2.3)	2.7
General wage inflation	0%-2.3%	0%-2.3%	0.1	(0.1)	0.2	(0.2)
Expected regulation of minimum payment	0%-1.5%	0%-1.5%	1.0	(1.1)	1.3	(1.2)

The assumptions used for the actuarial valuation of the pension obligation are based on regularly used assumptions within insurance for demographic factors. For Norway the Group has used a mortality rate in accordance with the Norwegian K2013 table and in Germany the 2018 G mortality tables by Klaus Heubeck has been applied.

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

EURm	2020	2019
Expected maturity of projected benefit obligations		
Within 1 year	(1.1)	(0.8)
1–5 years	(3.2)	(4.0)
Beyond 5 years	(13.1)	(13.1)
Total	**(17.4)**	**(17.9)**

Note 7.2

Classification of financial assets and financial liabilities

FAIR VALUE MEASUREMENT HIERARCHY

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

THE METHODS AND ASSUMPTIONS ARE AS FOLLOWS:

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

2020

EURm	Financial assets and liabilities measured at fair value	Financial assets and liabilities measured at amortised cost	Total
Financial assets and liabilities			
Trade and other receivables	-	331.4	331.4
Contract assets	-	27.7	27.7
Settlement assets	-	514.9	514.9
Cash at bank and on hand	-	728.4	728.4
Other financial assets[3]	9.1	-	9.1
Total financial assets	**9.1**	**1,602.4**	**1,611.5**
Borrowings	-	(4,333.2)	(4,333.2)
Preferred equity certificates[5]	-	(772.8)	(772.8)
Interest-bearing loans from owners	-	(1,623.7)	(1,623.7)
Bank overdraft	-	(8.0)	(8.0)
Trade and other payables	-	(510.6)	(510.6)
Contract liabilities	-	(5.0)	(5.0)
Merchant creditors	-	(891.4)	(891.4)
Settlement obligations	-	(127.0)	(127.0)
Other liabilities[2,4]	(349.7)	-	(349.7)
Lease liabilities	-	(85.7)	(85.7)
Other financial liabilities[1]	(1.2)	-	(1.2)
Total financial liabilities	**(350.9)**	**(8,357.4)**	**(8,708.3)**
Total net financial assets/(liabilities)	**(341.8)**	**(6,755.0)**	**(7,096.8)**

[1] Level 1 in the fair value hierarchy.
[2] Level 3 in the fair value hierarchy. The valuation is based on expected future cash flows discounted to its present value.
[3] Level 3 in the fair value hierarchy. Ownership in VN Norge AS is considered to be a financial asset in line with shares and other securities. The valuation is based on input from VN Norge AS.
[4] Level 2 in the fair value hierarchy.
[5] Fair market value amounts to EUR 825.6 million, basend on an interest rate of 7%.

2019

EURm	Financial assets and liabilities measured at fair value	Financial assets and liabilities measured at amortised cost	Total
Financial assets and liabilities			
Trade and other receivables	-	277.9	277.9
Contract assets	-	10.5	10.5
Settlement assets	-	787.6	787.6
Cash at bank and on hand	-	956.2	956.2
Other financial assets[3]	15.8	-	15.8
Total financial assets	**15.8**	**2,032.2**	**2,048.0**
Borrowings	-	(3,716.2)	(3,716.2)
Preferred equity certificates[5]	-	(711.9)	(711.9)
Interest-bearing loans from owners	-	(1,585.0)	(1,585.0)
Bank overdraft	-	(17.5)	(17.5)
Trade and other payables	-	(434.4)	(434.4)
Contract liabilities	-	(7.9)	(7.9)
Merchant creditors	-	(1,310.7)	(1,310.7)
Settlement obligations	-	(236.2)	(236.2)
Other liabilities[2,4]	(170.5)	-	(170.5)
Lease liabilities	-	(100.1)	(100.1)
Other financial liabilities[1]	(1.4)	-	(1.4)
Total financial liabilities	**(171.9)**	**(8,119.9)**	**(8,291.8)**
Total net financial assets/(liabilities)	**(156.1)**	**(6,087.7)**	**(6,243.8)**

[1] Level 1 in the fair value hierarchy.
[2] Level 3 in the fair value hierarchy. The valuation is based on expected future cash flows discounted to its present value.
[3] Level 3 in the fair value hierarchy. Ownership in VN Norge AS is considered to be a financial asset in line with shares and other securities. The valuation is based on input from VN Norge AS.
[4] Level 2 in the fair value hierarchy.
[5] Fair market value amounts to EUR 769.5 million, basend on an interest rate of 7%.

Note 7.3

Standards issued but not yet effective

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

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

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

Note 7.4

Events after the balance sheet date

In January 2021, Nets announced the acquisitions of Checkout Finland Oy a rapidly growing company within eCommerce. For additional information.

In March 2021, the sale of Nets' account-to-account payment business to Mastercard for EUR 2.85 billion was completed upon receipt of all regulatory approvals and fulfilment of all customary closing conditions.

Note 7.5

Companies in the Group

Company	Structure	Currency	Ownership
Parent company			
Nets Topco 2 S.à r.l.			
Luxembourg			
Nets Topco 3 S.à r.l.	Subsidiary	DKK	100%
Nets Topco 4 S.à r.l.	Subsidiary	DKK	100%
United States			
Nets US LLC	Subsidiary	USD	100%
Denmark			
Nets Holdco 1 ApS	Subsidiary	DKK	100%
Nets Holdco 2 ApS	Subsidiary	DKK	100%
Nets Holdco 3 ApS	Subsidiary	DKK	100%
Nets Holdco 4 ApS	Subsidiary	DKK	100%
Nets A/S	Subsidiary	DKK	100%
Nassa A/S	Subsidiary	DKK	100%
Nets Holding A/S	Subsidiary	DKK	100%
Nets Denmark A/S	Subsidiary	DKK	100%
Nets DanID A/S	Subsidiary	DKK	100%
Nets Cards Processing A/S	Subsidiary	DKK	100%
Storebox ApS	Subsidiary	DKK	100%
Signaturgruppen A/S	Subsidiary	DKK	100%
e-Boks A/S	Associate	DKK	50%
Centurion DK A/S	Subsidiary	DKK	100%
Norway			
Nets Holdco 5 AS	Subsidiary	NOK	100%
Nassa Topco AS	Subsidiary	NOK	100%
Nets Norge Infrastruktur AS	Subsidiary	NOK	100%
EDIGard AS	Subsidiary	NOK	100%
e-Boks AS	Associate	NOK	50%
Centurion NO AS	Subsidiary	NOK	100%
Centurion NNI AS	Subsidiary	NOK	100%
Sweden			
Nets Sweden AB	Subsidiary	SEK	100%
Nassa Bidco AB	Subsidiary	SEK	100%
Nets Spectracard AB	Subsidiary	SEK	100%
e-Boks Sverige AB	Associate	SEK	50%

Company	Structure	Currency	Ownership
Finland			
Paytrail Oyj	Subsidiary	EUR	100%
Paytrail Technology Oy	Subsidiary	EUR	100%
Poplatek Oy	Subsidiary	EUR	100%
Poplatek Payments Oy	Subsidiary	EUR	100%
Germany/Austria/Switzerland			
Evergood Germany 1 GmbH	Subsidiary	EUR	100%
Evergood Germany 2 GmbH	Subsidiary	EUR	100%
Eagle Germany GmbH	Subsidiary	EUR	100%
Eagle Frankfurt GmbH	Subsidiary	EUR	100%
Concardis Payment Group GmbH	Subsidiary	EUR	100%
Concardis GmbH	Subsidiary	EUR	100%
CCV (Suisse, Schweiz, Svizzera, Switzerland) SA	Subsidiary	CHF	100%
Concardis Austria GmbH	Subsidiary	EUR	100%
Concardis Schweiz AG	Subsidiary	CHF	100%
CPG Service GmbH	Subsidiary	EUR	100%
CPG Sales GmbH	Subsidiary	EUR	100%
CPG Netzbetries GmbH	Subsidiary	EUR	100%
RatePAY GmbH	Subsidiary	EUR	100%
WEAT Electronic Datenservice GmbH	Associate	EUR	40%
Orderbird AG	Associate	CHF	20.84%
Croatia			
Nets CEE d.o.o.	Subsidiary	HRK	100%
Slovenia			
Nets CEE d.o.o.	Subsidiary	EUR	100%
Estonia			
Nets Estonia AS	Subsidiary	EUR	100%
ITP Baltic SIA (Estonia)	Subsidiary	EUR	100%
Poland			
P24 Dotcard Sp. z o.o.	Subsidiary	PLN	51%
PayPro S.A.	Subsidiary	PLN	51%
eCard S.A.	Subsidiary	PLN	51%
Dotpay Sp. z o.o.	Subsidiary	PLN	51%
Dotpay Polska Sp. z o.o.	Subsidiary	PLN	51%
Rementi Investments S.A.	Subsidiary	PLN	100%
Centrum Rozliczen Elektronicznych Polskie ePlatnosci S.A.	Subsidiary	PLN	100%
PayLane Sp. z o.o.	Subsidiary	PLN	100%
BillBird S.A.	Subsidiary	PLN	100%
TopCard Sp. z o.o.	Subsidiary	PLN	100%

Note 7.6

Financial definitions

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

Growth in revenue, reported	Absolute revenue growth / Revenue in comparative period
Growth in revenue, organic	Organic growth is a measure of growth excluding the impact of acquitions, divestments and foreign exchange adjustments from year-on-year comparisons
EBITDA b.s.i. *	EBITDA before special items
EBITDA before special items margin, % *	EBITDA before special items / Net revenue
Special items *	As defined in Note 2.2
EBITDA *	Earnings before interest, tax, depreciation, amortisation and impairment losses
Underlying depreciation and amortisation	Depreciation & amortisation adjusted for amortisation of business combination intangibles & impairment losses
Adjusted EBIT *	EBITDA before special items and adjusted for underlying depreciation and amortisation
EBIT	Earnings before interest and tax (operating profit)
Capital expenditure (CAPEX)	Purchase of intangible assets and plant & equipment and capitalised development projects for the year, excluding acquisition of subsidiaries
Cash flow from operating activities excl. clearing-related balances	Operating cash flow excluding clearing-related cash flow

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

Narrow working capital	As defined in Section 3
Operating free cash flow	Cash flow from EBITDA adjusted for change in narrow working capital and CAPEX
Own cash	Cash and cash equivalents excluding clearing-related balances and other proceeds received in cash to be passed through
Net interest bearing debt (NIBD)	Interest bearing debt net of own cash and clearing-related borrowings
Clearing-related balances	As defined in Section 3

Glossary*

Acceptance – a service that allows merchants to accept card payments

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

Artificial intelligence (AI) – intelligence exhibited by machines

Authentication – the process of recognising a user's identity

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

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

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

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

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

Blockchain – a distributed ledger technology / decentral database

Clearing – the process of reconciliation of orders between transacting parties

CMS – Consumer Management Services

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

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

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

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

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

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

eFaktura – Nets' Norwegian e-billing service

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

Fraud & Dispute Services – card fraud management and dispute handling

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

Instant payments – refer to 'real-time clearing'

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

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

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

Merchant acquiring – refer to 'acquiring services'

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

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

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

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

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

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

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

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

* Terms are explained in the context of this report