

Verifone Denmark A/S

Knapholm 7, 2730 Herlev

CVR no. 15 40 12 81

Annual report for the year ended 31 October 2021

Approved at the annual general meeting of shareholders on 06.04.2022

As chairman:

Chris Lund-Hansen

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Company details

Name	Verifone Denmark A/S
Financial year	1/11/2020 - 31/10/2021
Address, Postal code, City	Knapholm 7, 2730 Herlev
CVR No.	15 40 12 81
Established	27 August 1991
Telephone	+45 44 53 75 00
Telefax	+45 44 53 46 20
Board of Directors	Vikram Kaldindi Varma, Chairman Bulent Ozayaz John Tracy
Executive Management board	Chris Lund-Hansen, Managing Director
Auditors	Grant Thornton Stockholmsgade 45 2100 København, Denmark Telefon +45 33 11 02 20
Bankers	Danske Bank J.P. Morgan

Financial highlights

5-year summary

Key figures (in DKK thousands)	2020/21	2019/20	2018/19	2017/18	2016/17
Gross Margin	104.414	106.335	97.060	112.009	123.866
Operating profit/loss	58.451	61.067	43.728	56.070	66.749
Net financials	26.066	-5.845	24.817	818	24.317
Profit/loss for the year	65.794	43.271	128.116	44.301	76.439
Balance sheet total	403.763	346.274	301.131	170.100	197.602
Investment in property, plant and equipment	5.955	3.494	-1.858	-1.460	-2.571
Equity	339.305	273.510	230.239	102.123	127.822
Financial ratios in %					
Return on assets	15,6	18,9	18,6	30,5	34,1
Current Ratio	72,93	54,37	52,63	24,7	61,2
Equity Ratio	84,04	78,99	77,86	60,0	64,7
Return on equity	21,47	17,18	78,63	38,5	67,0
Average number of full-time employees	62	69	70	82	84

FINANCIAL RATIOS

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios", cf. below:

Return on assets:

Profit/loss from ordinary operating activities / average assets * 100

Current ratio:

Current assets / Current liabilities * 100

Equity ratio:

Closing equity / equity and liabilities at year end * 100

Return on equity:

Profit/loss for the year / average equity * 100

Management's review

The company's business review

The company is part of the Verifone Group and operates within sales, rental and service of payment terminals and related system solutions and accessories.

Recognition and measurement uncertainties

Recognition and measurement in the financial statements for 2020/21 are not considered to be subject to significant uncertainties.

Financial review

The company's income statement for 2020/21 shows a profit of DKK 65.794 thousand (2019/20 DKK 43.271 thousand), and the company's balance sheet at 31 October 2021 shows an equity of DKK 339.305 thousand (31 October 2020 DKK 273.510 thousand), which was in line with management expectations in the financial statements for the year ending 31 October 2020.

Verifone continued to be the leading supplier of payment solutions to the retail sector and other types of merchants in 2020/21. Despite the periodic COVID-19 lockdown, the company succeeded in winning a number of larger customers during the year, and the total recurring service revenue increased versus last year. The new global Android based payment platform was improved even further with several APM's (Advanced Payment Methods), and the solution was rolled out in large volumes in the Danish market to both new and existing small and medium sized customers. The expansion of the next generation payment platform continued for the larger retail chains and partners as well.

Knowledge resources

As the company wished to be a market leader within the existing business area, the company faces high demands with regard to gathering and utilization of knowledge. The personal knowledge of individual key employees is of significant importance to the company. The company has made various measures in the financial year to reduce the risk of this part, and takes advantage of belonging to a global cooperation.

Impact on the external environment

The company is environmentally conscious and focuses on reducing its impact on the external environment.

Research and development activities

In accordance with the company's accounting policies, development projects are capitalized when they are clearly defined and identifiable. The company develops primarily software based on earlier versions. Consequently, the company's projects are developed on an ongoing basis in accordance with market demands and legislative requirements. Management is therefore of the opinion that the projects are not clearly defined at the start up and do therefore not qualify for capitalization. Accordingly, costs related to development are recognized in the income statement.

Post balance sheet events

COVID-19 lockdown did have consequences for a number of the Company's clients within the most exposed businesses. Since the Company is covering a wide range of trades and has a service based business model, the COVID-19 is expected to have limited effect on next financial year. Apart for this, no post balance sheet events have occurred which could significantly affect the assessment of the company's financial position.

Outlook

Management expects revenue and operating profit for 2021/2022 to be in line with 2020/21.

Management's statement

Today, The Board of Directors and the Executive Management Board have discussed and approved the Annual Report of Verifone Denmark A/S for the financial year 1 November 2020 – 31 October 2021.

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

In our opinion, the financial statements give a true and fair view of the assets, liabilities and financial position at 31 October 2021 and the results of the company's operations for the financial year 1 November 2020 – 31 October 2021.

It is also our opinion the management review includes a fair review of the development in the company's activities and financial position and the results of the company's financial position.

We recommend the adoption of the annual report at the annual general meeting.

Herlev, den 06.04.2022

Executive Management board:

.....
Chris Lund-Hansen
Managing Director

Board of Directors:

.....
Bulent Ozayaz
Chairman

.....
John Tracy

.....
George Truemper

Independent auditor's report

To the Shareholder of Verifone Denmark A/S

Opinion:

We have audited the financial statements of Verifone Denmark A/S for the financial year 1 November 2020 - 31 October 2021, which comprise accounting policies, income statement, statement of financial position, cash flows and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 October 2021 and of the results of the company's activities for the financial year 1 November 2020 - 31 October 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and contents of the financial statements, including disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on and the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

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

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 06.04.2022

Grant Thornton

State Authorised Public Accountants
Company reg. no. 34 20 99 36

Jacob Helly Juell-Hansen
State Authorised Public Accountant
mne36169

Income statement for the period 1 November 2020 - 31 October 2021

Notes		2020/21 DKKt	2019/20 DKKt
		<u> </u>	<u> </u>
	Gross margin	104.414	106.335
2	Staff costs	-43.036	-43.086
3	Amortisation/depreciation of intangible assets and property, plant and equipment	-2.652	-2.182
	Other operating expenses	-274	0
	Operating profit	<u>58.451</u>	<u>61.067</u>
4	Financial income	26.228	7.088
5	Financial expenses	-162	-12.573
	Profit before tax	<u>84.518</u>	<u>55.582</u>
6	Tax for the year	-18.581	-12.246
	Other taxes	-142	-65
19	Profit for the year	<u><u>65.794</u></u>	<u><u>43.271</u></u>

Balance sheet as at 31 October 2021

Notes	2021 DKKt	2020 DKKt	
Assets			
Fixed assets			
	Leasehold improvements	198	387
	Plant and machinery	9.594	6.102
8	Property, plant and equipment	9.792	6.489
	Receivables in associated entities	345.620	299.067
9	Deposit	1.160	1.160
	Deferred tax assets	182	0
	Fixed asset investments	346.962	300.227
	Total fixed assets	356.754	306.716
Current assets			
	Goods for resale	5.304	7.051
	Prepayments for goods	0	651
	Inventories	5.304	7.702
	Trade receivables	4.392	5.966
	Receivables from group entities	24.322	19.099
10	Prepayments	618	318
	Other receivables	1.789	1.072
	Receivables	31.121	26.455
	Cash	10.584	5.401
	Total current assets	47.009	39.558
	Total assets	403.763	346.274

Statement of changes in equity

(DKKt)	Share capital	Retained earnings	Total
Equity at 1/11/2019	1.000	229.239	230.239
Profit/loss for the year, cf. appropriation of profit/loss	0	43.271	43.271
Equity at 1/11/2020	1.000	272.510	273.510
Profit/loss for the year, cf. appropriation of profit/loss	0	65.794	65.794
Equity at 31/10/2021	1.000	338.304	339.304

The share capital have remained unchanged for the last 6 years stating DKK 1.000.000.

Statement of Cash flows

Notes	2021 DKKt	2020 DKKt
	<hr/>	<hr/>
Profit for the year	65.794	43.271
14 Adjustments	-4.597	18.968
Profit for the year adjusted	61.197	62.239
15 Change in working capital	-8.734	-5.282
Interest income, paid	18.088	53
Interest expenses, paid	-162	-467
Corporate income tax paid	-20.465	-17.442
Deposits paid	0	-19
Cash flows from operating activities	49.924	39.082
Investments	-44.741	-41.905
Cash flows from investing activities	-44.741	-41.905
Dividend paid	0	0
Bank debt paid	0	-8
Cash flows from financing activities	0	-8
Net cash flows for the year	5.183	-2.831
Cash at 1 November	5.401	8.232
Cash at 31 October	10.584	5.401
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1. Accounting Policies

The annual report for Verifone Denmark A/S for 2021 has been prepared in accordance with the Danish Financial Statements concerning reporting class C enterprise. (medium)

The financial statements have been prepared in accordance with the same accounting policies as last year.

Reporting currency

The financial statements are presented in Danish kroner.

Currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rate at the date of the transaction.

Receivables, payables and other monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rate at the balance sheet date. Realized and unrealized exchange gains and losses are recognized in the income statement as financial income/expenses.

INCOME STATEMENT

Revenue

Income from the sale of goods and finished goods is recognized in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably and is expected to be received.

License and royalty income is recognized over the term of the agreement in accordance with the contents of the agreement.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Gross Margin

The revenue, cost of sales, other operating and external costs is accordingly to the Danish Financial Statements Act §32 condensed to one line called gross profit.

Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating lease, etc.

Financial income and expenses

Financial income and expenses are recognized in the income statements at the amounts that concern the financial year. Financial income and expenses include interest, costs of finance leases, realized and unrealized gains and losses on securities, payables and transactions in foreign currencies, amortization of financial assets and liabilities and surcharges and allowances under the advance-payment-of-tax scheme etc.

1. Accounting Policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognized in the income statement, whereas the portion that relates to transactions taken to equity is recognized in equity.

BALANCE SHEET

Intangible assets

Goodwill is measured at cost less accumulated amortization and impairment losses.

A straight-line depreciation over the expected useful life based on the following assessment of the assets' expected useful lives:

Goodwill 5 years.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

A straight-line depreciation over the expected useful life based on the following assessment of the assets' expected useful lives:

Leasehold improvements	5 years
Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	3 years

The basis of depreciation is calculated taking into account any residual value and impairment losses.

The amortization period and the residual value is determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

Changes in depreciation period or the residual value leads to depreciation effect is recognized prospectively as a change in accounting estimates.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in associates is tested annually for impairment. Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

Fixed asset investments

Investments in associates are measured at cost. In cases where the cost exceeds net realizable value is written down to the lower value.

Dividends received exceeding the accumulated earnings of the associate in the ownership period are treated as a reduction in cost.

1. Accounting Policies (continued)

Inventories

Inventories are measured at the lower of cost, measured by reference to the FIFO method, and net realizable value.

Receivables

Receivables are measured at amortized cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realizable value and the carrying amount.

Prepayments

Prepayments recognized under "assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash and cash equivalents

Cash comprises cash balances and bank balances.

Equity - Proposed dividend

Dividends proposed for the financial year are presented as a separate item under "Equity".

Income tax

Current tax payables and receivables are recognized in the balance sheet as the estimated tax charge in respect of the taxable income for the year, adjusted for the tax on prior year's taxable income and tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, as well as temporary differences on non-amortisable goodwill.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallize as current tax. Deferred tax assets are recognized at the value at which they are expected to be utilized, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same jurisdiction.

Liabilities

Liabilities are measured at net realizable value.

Cash flow statement

The cash flow statement shows cash flows distributed on operating, investing and financing activities, change in cash and cash as at the beginning and end of the period.

Cash flow from operating activities

Cash flow from operating activities comprises profit/loss for the year adjusted by non-cash operating activities, change in working capital and paid corporate income tax.

Cash flow from investing activities

Cash flow from investing activity comprises payment of purchase and sale of enterprises and activities and purchase and sale of intangible, tangible and financial assets.

Cash flow from financing activity

Cash flow from financing activity comprises changes in size or composition of equity and related costs, debt recovery, repayment of debt and payment of dividend to shareholders.

1. Accounting Policies (continued)

Deferred income

Deferred income recognized as a liability comprises payments received concerning income in subsequent financial reporting years.

Leasing contracts

All leases are considered operating leases. Payments relating to operating leases and any other leases are recognized in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed in contingencies, etc.

2. Staff costs

	2020/21	2019/20
	DKKt	DKKt
Analysis of staff costs:		
Wages/salaries	38.101	39.396
Pensions	2.229	1.951
Other social security costs	1.353	1.251
Other staff costs	1.353	488
	43.036	43.086
Average number of employees	62	69

By reference to section 98b(3)(ii) of the Danish Financial Statements Act, remuneration to management is not disclosed.

3. Depreciation of property, plant and equipment

Depreciation of property, plant and equipment	2.652	2.182
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4. Financial income

Interest receivable, group entities	8.140	7.035
Other financial income	18.088	53
	26.228	7.088

Other financial income is primarily composed of currency gains.

5. Financial expenses

Other financial expenses	162	12.573
	162	12.573

Other financial expenses is primarily composed of currency losses.

6. Tax for the year

	2020/21	2019/20
	<u>DKKt</u>	<u>DKKt</u>
Estimated tax charge for the year	18.398	12.478
Deferred tax adjustments in the year	183	-232
	<u>18.581</u>	<u>12.246</u>

7. Intangible assets

(DKKt)	Acquired intangible assets	Goodwill	Total
Cost			
Balance at 01/11/2020	76.071	28.429	104.320
Cost at 31/10/2021	<u>76.071</u>	<u>28.429</u>	<u>104.320</u>
Amortization and impairment losses			
Balance at 01/11/2020	76.071	28.429	104.320
Amortisation in the year	0	0	0
Amortization and impairment losses at 31/10/2021	<u>76.071</u>	<u>28.429</u>	<u>104.320</u>
Carrying amount at 31/10/2021	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

8. Property, plant and equipment

(DKKt)	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost				
Balance at 1/11/2020	2.699	20.050	11.602	34.351
Additions in the year	0	5.955	0	5.955
Cost at 31/10/2021	2.699	26.005	11.602	40.306
Depreciation and impairment losses				
Balance at 1/11/2020	2.312	13.948	11.602	27.862
Depreciation in the year	189	2.463	0	2.652
Depreciation and impairment losses at 31 October 2021	2.501	16.411	11.602	30.514
Carrying amount at 31 October 2021	198	9.594	0	9.792

9. Deposit

	2020/21 DKKt	2019/20 DKKt
Deposits at 1/11/2020	1.160	1.141
Additions in the year	0	19
Deposits at 31/10/2021	1.160	1.160

10. Prepayments

Prepaid insurance	93	107
Prepaid rent	371	17
Other prepayments	154	194
	618	318

11. Provision for deferred tax

	2020/21 DKKt	2019/20 DKKt
Deferred tax at 1/11/2020	2	234
Annual adjustment to deferred tax	-2	-232
Deferred tax at 31/10/2021	—	2

12. Deferred revenue

Deferred revenue consists of pre-invoiced amounts which can only be delivered and recognized in the following financial year.

13. Contingent liabilities and other financial obligations

Rent and lease liabilities	3.399	4.995
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14. Adjustments (cash flows)

	2020/21 DKKt	2019/20 DKKt
Depreciation	2.652	2.182
Interest income/expenses	-26.066	5.486
Tax for the year	18.817	12.311
Gain on asset disposal	0	-1.011
Adjustments	-4.597	18.968

15. Working capital adjustments

	2020/21 DKKt	2019/20 DKKt
Change in receivables	-4.666	-6.000
Change in inventories	2.398	-1.386
Change in trade payables & other payables	-6.466	2.104
Working capital adjustments	-8.734	-5.282

16. Contingent assets

Contingent assets comprise revenues from rental contracts for terminal revenue from all in one contracts and amount to DKK 19.5 million thousand (DKK 19.1 million at 31 October 2020).

17. Related parties

Information about related parties with a controlling interest:

Related party	Domicile	Basis for control
Verifone Norway AS Parent	Oslo, Norway	Participating interest
Francisco Partners GP V Management, LLC. Ultimate Parent	San Francisco, USA	Participating interest

	2020/21 DKKt	2019/20 DKKt
Sale of goods to group entities	56	112
Sale of services to group entities	29	302
Purchase of goods from group entities	3.441	7.486
Purchase of services from group entities	6.388	0
Purchase of services from parent entity	12.389	18.349
Interest income from group entities	8.140	7.035
Receivables from group entities	24.322	19.099
Payables to group entities	15.186	16.896

18. Information about consolidated financial statements:

Information about consolidated financial statements:

Parent	Domicile
Verifone Systems, Inc.	San Jose, California, USA
Verifone Norway AS	Oslo, Norway

Information about shareholders holding 5% or more of the share capital or the voting rights:

Name	Domicile
Verifone Norway AS	Oslo, Norway

19. Recommended appropriation of the profit/loss for the year

	2020/21 DKKt	2019/20 DKKt
Retained earnings	65.794	43.271
	65.794	43.271