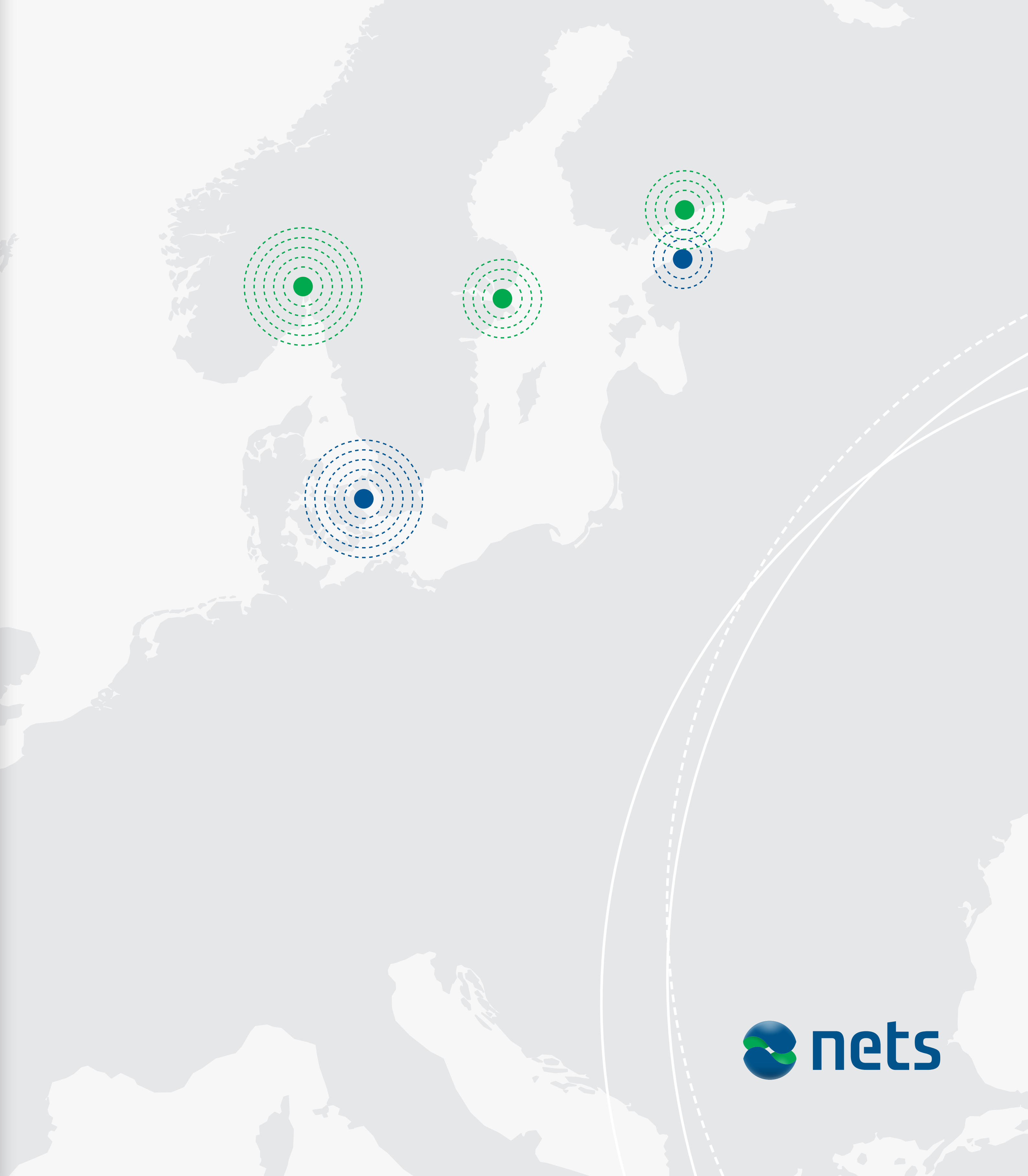
Annual Report **2013**



nets

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Nets in numbers

2,578
EMPLOYEES

1.0BN
DANKORT: 1.0 BILLION TRANSACTIONS

1.3BN
BANKAXEPT: 1.3 BILLION TRANSACTIONS

33M
NETS SERVICES 33 MILLION CARDS

8.0M
NETS HAS ISSUED MORE THAN 8.0 MILLION TRUST CERTIFICATES IN THE NORDIC REGION

200M
200 MILLION BETALINGSSERVICE TRANSACTIONS

4.0M
E-BOKS HAS 4.0 MILLION USERS

NETS ADMINISTERS
500,000
TERMINALS

Foreword

At the end of 2012, Nets renewed its corporate strategy, now known as Future Nets, to further improve the positioning of Nets in a rapidly changing business environment and thereby form the basis for continued strong growth.

Nets' ambition is to be among top three in Europe across all its business areas by 2017. Consolidation in the industry has come to stay, and Nets must take the initiative in order to succeed in becoming a top-three player in Europe. Other important prerequisites for continued growth are the ability to invest in modern IT systems and compliance with regulatory requirements.

At the same time, Future Nets calls for significant changes to the way Nets is operating, to continue the commercialisation of the company and to achieve an even better platform for future growth.

With the renewal of the corporate strategy, Nets initiated an intense journey of transformation, balancing improved efficiency and the pursuit of synergies from the acquisition of Nets Oy (formerly Luottokunta Oy) - with improvements in customer satisfaction as part of the journey to further commercialisation.

Since then, a large number of improvements have been achieved, and 2013 was the year that saw the biggest changes and improvements since the merger in 2010.

We have moved further towards having a performance culture. We have also strengthened the management levels by adding new competencies through deployment of new resources in key positions and optimisation of reporting lines.

Commercial and customer orientation have been strengthened by the introduction of a Customer Board, a Sales Executive Council and a new Key Account Director Structure, and at the same time aligning the sales organisation through the use of common tools and processes. We are not at the end of our journey to commercialisation yet, and the strong focus will be further intensified in 2014.

In 2014 we expect to reap the full benefits from the investments and changes made in new competencies, common tools and processes in particular.

We have managed to create new business by introducing existing products to new sectors, e.g. with BankID going live in the Norwegian tax services, thereby ensuring new cross-sector growth. Likewise, we have improved our position in the important business area of digitisation of processes with both banks and the public sector through Netshare and scanning solutions.

Geographically, our efforts to expand into new markets look more positive, with initiatives to expand in the Baltic region and to grow in Sweden and Finland, and with Teller looking more closely at options for entering new markets. However, from Sweden we have also learned that in order to really succeed in new markets and keep customers happy, it is necessary to have a significant and relevant presence.

In 2013, Nets has built the foundation for solutions which can change the way merchants, corporates and consumers do business in Norway and Denmark. The ISO 20022 real-time clearing solution in Denmark and the P2P solution (Straksbetalinger) in Norway will create openings for increased use of P2P and will also lead the way towards further use of real-time clearing in other areas.

In addition to this, we have initiated and implemented various changes and managed a number of other achievements. Not least the Nets Oy integration project, modernisation of our IT architecture and the new Dankort agreement involving the banking sector, banks and merchants.

We have managed to cut costs substantially and achieve our targets in 2013 both in terms of annual revenue and operating profit.

I would like to thank all of our employees for their impressive efforts that have helped Nets achieve these goals. However, as already mentioned, we are only at the beginning of the journey. We still need to prove that we can continuously improve our business and stay competitive.

In 2013 a process was initiated on behalf of Nets' Board of Directors and the current owners with the aim of clarifying Nets' future ownership. The process is ongoing and is a necessary step in order for Nets to continue to develop and address strategic challenges in the future.

Mette Kamsvåg
CEO

Management's review

Performance highlights

(DKKm)	2013	2012	2011*	2010*	2009*
Financial performance					
Revenue, gross	8,686	7,436	**	**	**
Revenue, net	6,727	5,962	5,562	5,110	4,648
Gross profit	5,570	4,880	**	**	**
EBITDA	1,324	1,077	1,205	1,190	1,091
EBIT	876	741	743	719	747
Net financials	25	195	195	20	201
Profit before income tax	907	966	938	739	948
Net profit for the year	613	698	621	533	751
Total assets	11,729	12,380	6,712	6,144	6,372
Net cash	2,479	2,255	1,974	1,687	2,001
Non current interest-bearing debt	988	981	0	0	268
Equity	2,307	2,334	2,071	1,842	1,862
Capital expenditure, net	327	169	195	286	251
Net cash from operating activities before settlement and cardholder related balance and merchant creditors, financial items and tax (EBITDA cash flow)	1,313	1,234	**	**	**
Net cash from operating activities	1,062	605	674	784	1,443
Net cash from investing activities	-150	-1,332	-180	-273	-652
Net cash from financing activities	-498	483	-400	-894	-172
Total cash flows	**414**	**-244**	**94**	**-384**	**619**
Financial ratios					
EBITDA margin	20%	18%	22%	23%	23%
Net profit margin	9%	12%	11%	10%	16%
Effective tax rate	32%	28%	33%	28%	21%
Equity ratio	20%	19%	31%	30%	29%
Social performance					
Employees:					
Employees (Year-end FTE)	2,578	2,861	2,290	**	**
Employees (average FTE)	2,682	2,443	2,231	2,122	2,096

* 2009-2011 accounted for under Danish GAAP.
** Information not available.

Strategy

Nets entered 2013 with a renewed corporate strategy that sets the direction for the company going forward, reflecting on a rapidly changing business environment:

- Increasing competition that varies from different parts of Nets' offerings, e.g. with complex and long sales cycles in the back-end IT-solutions space, compared to agile, innovative and rapid go-to-market demands among the front-end services;
- Industry consolidation continues, e.g. with new players entering the Nordic markets and established players teaming up. Nets' has taken part in this with the acquisition of Nets Oy in 2012;
- Increasing compliance requirements signalling higher cost for Nets and clients, are also putting demands on suppliers for deeper specialisation in this field in order to keep up, and on others to recognise that these competencies are not to be built in-house;
- Less sector loyalty and common solutions, which implies a push for Nets to find other ways to grow and develop;
- Accelerating cost pressure from customers bringing strong needs for efficiency among players within the industry.

The market development was the rationale for Nets to commit to its new ambition and strategy, called Future Nets. Future Nets specifies a clear direction for what Nets wants to be by 2017:

- Nets' ambition: Nets is a top-three player in Europe specialising in managing digital values (money, information and identity). The company is a strategic supplier to its customers, based on safe and stable operations. Nets operates as a listed company and its total shareholder return makes it financially attractive.

Nets' target is based on a six-pillar foundation and a growth focus.

The six-pillar foundation covers a target picture of a company with customer-oriented processes and organisation, strategic consulting on solution space, scalable IT-architecture, an efficient operating model, a talented workforce and safe and stable operations.

The growth focus is to be delivered through two dimensions – geographical expansion and value chain expansion. Geographically the prioritised focus will be (i) to complete a Nordic area of impact with special attention focused on Sweden and Finland, (ii) to expand in the Baltics through Nets' position in Estonia and (iii) an opportunistic approach towards new regions in Europe. Value chain expansion involves offerings such as Card Management System and IT-back-end payment solutions, as well as a set of value added services for merchants in particular.

To bring this about, a two-step approach has been agreed upon:

- The first step covers 2013 and 2014 and is designed to make sure Nets is optimally positioned for further growth in the last three years of the strategy timeframe (2015–2017). This first step builds on three themes:
  - A shift in IT from legacy systems to modern, scalable platforms to support our customers better going forward;
  - An efficiency programme to bring Nets to best-in-class on its operations, bringing sustainability to our business and the ability to meet increased price pressure;
  - An overall improvement in the customer orientation and implementation of sustainable business models. A natural and needed development, as the markets where Nets is operating are changing in several ways, e.g. moving from sector solutions to individual services.
- The second step covers 2015, 2016 and 2017. This step represents a shift to stronger growth focus, to enable us to support customers as they expand, as well as making sure Nets has the necessary scale to keep its unit costs low. Further, the focus is set to be on growing in a sustainable way, by utilising an effective operating model and renewing services proactively.

The execution of the first year of this strategy has proved successful, with the integration of Nets Oy and a strong start for the efficiency programme as important milestones. The ambitious route also represents a journey of change for Nets employees, in which competency shifts and our Nets code ACT – Accountable, Customer-driven and Together – is an integral part. A success factor has also been the structural and relentless focus on the topics by the Supporting Transformation programme.

Finance

Net profit for the year amounted to DKK 613 million, a decrease of DKK 85 million compared to 2012. The result in 2012 was positively affected by financial income of a non-recurring nature linked to gains on shares which were disposed of during 2012. The profit level was in line with expectations.

Revenue
Consolidated gross revenue was DKK 8,686 million, an increase of 17% compared to 2012, and consolidated net revenue (after offsetting interchange fees and processing fees against gross revenue) rose by 13% compared to 2012, and amounted to DKK 6,727 million.

Nets is operating within four business areas:

- Cards
- Payments, Information & eSecurity
- Teller (acquiring of international payment cards)
- Merchant Solutions.

Revenue within Cards rose by 47% compared to 2012 and amounted to DKK 3,188 million. The increase in revenue is mainly related to the full-year effect of the acquisition of Nets Oy in November 2012.The growth in transactions using Dankort, BankAxept and processing services for international payment cards continued, and more than 6 billion card transactions were processed on Nets' card platform.

Revenue within Payments, Information & eSecurity increased by 5% compared to 2012 and amounted to DKK 2,738 million. This increase can primarily be attributed to an increase in the use of eSecurity services and an increase in the number of payments made via Betalingsservice in Denmark and eFaktura in Norway.

Revenue within Teller, which is responsible for card acquiring activities, amounted to DKK 1,727 million, which is equivalent to last year's level.

Revenue within Merchant Solutions, which supplies terminal solutions, rose by 9% compared with 2012, to DKK 1,033 million.

Expenses
Costs of sales rose by 7% compared to 2012, and amounted to DKK 1,157 million. This increase is directly attributable to the increased volume of business.

External expenses rose by 13% compared to 2012, and amounted to DKK 2,067 million. The increase in cost level is mainly related to the full-year effect of the acquisition of Nets Oy in November 2012.

Staff costs rose by 9% compared to 2012, amounting to DKK 2,175 million. Part of this increase can be attributed to a large number of severance agreements due to the reduction in number of FTEs in 2013.

Equity
Equity, including the proposed dividend, amounts to DKK 2,307 million, equivalent to an equity ratio of 20%, compared to 19% in 2012. The proposed dividend amounts to DKK 498 million, which corresponds to the dividend payment for 2012.

Cash flow
During 2013, operations generated a cash flow of DKK 1,062 million, compared with DKK 605 million during 2012.

Cards
The Nets group has consolidated its position as the market leader in card processing in the Nordic region and as the second-largest third-party card processor in Europe in terms of the number of card payments.

The organisational and product changes made following the incorporation of Nets Oy into Nets have strengthened the company significantly and progressed according to plan. This means that Nets is now able to realise multiple commercial benefits as a result of its new strong position. This is primarily the case with regard to issuer services, where Nets is now able to provide tailored solutions, at Nordic level, for PIN and smart card services, and to offer its newly developed Card Management System (Way4). Agreements on Way4 have already been concluded with several Nordic issuers for implementation during 2014.

Longer-term framework agreements have been entered into with a number of major Nordic issuers. New services are continuously being developed, including a new fraud management system that significantly improves the possibilities for preventing card fraud – not solely on the basis of monitoring incoming payment transactions.

In addition, Nets has supplied new security solutions to several markets that enable an additional check to be made when shopping online using international payment cards. A new, comprehensive solution for the Danish banking sector, and for customers in the Nordic countries, will enable card issuers to reduce the increasing level of fraud in this area, particularly from abroad.

Nets is expanding its deliveries in the role of Trusted Service Manager (TSM) to the banks. Together with selected partners, we are now able to offer issuers a "wallet" solution, which makes it possible to handle and process payments and loyalty services digitally from a mobile phone.

Nets has constructed an advanced financial infrastructure that processes the transaction from the payment terminal and exchanges the card payment between the cardholder's accounts at the issuer and the merchant's account via the acquirer. With an enhanced product portfolio across the Nordic countries within a number of issuer- and acquirer-related services in the payment card sector, Nets is well placed to expand its market position further on the northern European market. A total of 33 million national and international debit and credit cards are currently serviced, and Nets handles 500,000 merchant agreements in nine countries.

In 2013, a seven-year agreement for Dankort was signed with the Danish retail industry and the Danish banks. This will form the basis for the continued development of the Danish debit card. Last year, for the first time in the card's 30-year history, over a billion payments were made within a calendar year, representing around one-sixth of the total transaction volume handled annually by Nets. Similarly, in Norway Nets handles BankAxept card transactions on behalf of all the Norwegian banks. The volumes involved here are already well in excess of a billion card transactions per year.

The Danish Competition and Consumer Authority has instructed Nets to further reduce the price for using Dankort on the Internet in relation to the price reduction implemented on 1 February 2013. Nets is abiding by instructions from the Danish Competition and Consumer Authority, but disagrees with the decision and has appealed against it.

As part of the Nordic consolidation process, Nets is increasingly choosing to focus on the role of service provider for card issuers, rather than the role of card issuer. Parts of the Finnish issuing business has therefore been sold off with effect from 2014.

At the same time, Nets is gradually establishing a new, integrated IT platform in order to improve the company's commercial efficiency and to enhance its technical and organisational processes. This will put Nets in an even better position to handle the many services and increasing volumes of payments from many of the countries that Nets covers, while supporting our business strategy towards 2017.

In 2013, the Nets card platform had operational reliability of 99.9%. The availability of the systems is of paramount importance to our customers. We are therefore continuously working to further improve accessibility and to prevent incidents within or outside Nets affecting the business operations of our customers. Finally, we want to ensure that any effects on operational reliability are handled in such a way that they have minimal impact on our customers' business.

Customer satisfaction was also a focus area for Nets in 2013, and we will continue to work on a number of initiatives over the coming years. We are therefore particularly pleased to learn that end-customers calling in to get support from Nets on card-related issues gave Nets a score of 82 out of 100 at the end of 2013.

Payments, Information & eSecurity
Nets delivers both paper based and digital solutions within payment provision, invoice and document processing and e-security. These solutions are used by banks, the public sector, private companies and individuals on a daily basis.

In Norway, Nets is responsible for the operation of the Norwegian digital ID infrastructure, BankID, which was used 350 million times by more than 3 million Norwegians in 2013. In Denmark, Nets is responsible for the similar Danish digital ID infrastructure, NemID, which was used 600 million times by 4.2 million users.

Along with e-Boks, Nets delivered a Nordic solution to Nordea in 2013 that makes it possible to sign and distribute documents digitally across eight countries. The solution makes it faster and easier for a bank to perform approval processes in discussion with its customers, as well as opening the way for process automation and digital signing of documents.

For several years, Nets has provided digital solutions for corporations and the public sector in Denmark and Norway. The high quality of previous solutions played a significant role in Nets being awarded a contract with the Norwegian public sector in 2013 for scanning and archiving manually signed documents, targeting full digitisation of the processes.

In 2013, the Danish banks and Digitaliseringsstyrelsen in Denmark (the Danish Agency for Digitisation) decided to launch a project designed to make NemID available on mobile platforms, such as smartphones and tablets. The project is scheduled for completion in the summer of 2014. It will then be possible for current and future companies that use NemID as part of their web solutions to offer their services to mobile platforms.

In Denmark, Digital Post for business was launched in autumn 2013 in a joint venture between the Danish Business Authority and Nets. This meant that more than 500,000 companies used NemID as a mandatory component to access the secure public digital mail service based on e-Boks.

Nets continues to experience an increase in the number of transactions using BankID in Norway and NemID in Denmark. This is driven partly by the increasing use of NemID and BankID by banks, the public sector and private companies. At the same time, greater digitisation has expanded the market for digital signature and digital identification among companies looking for more efficient business processes. Nets has solutions that contribute to this process.

In the spring of 2013, NemID was hit by severe DDoS (Distributed Denial of Service) attacks. Since then, Nets has established a strong DDoS protection programme to reduce the risk of being hit by similar attacks in the future.

With around 200 million payments in 2013, Betalingsservice is the leading product used by Danish companies for bill payment by customers. It is the largest single product at Nets. In 2013 development work was initiated which, in 2014, will enable Betalingsservice customers to use payment cards as an alternative when paying bills via Betalingsservice.

The Danish Competition and Consumer Authority is updating the sector analysis of Betalingsservice from January 2011. The publication is expected in 2014.

In 2013, Nets launched a new clearing solution in Denmark, Intraday clearing, which increases the number of daily clearing transactions in Nets. The solution supports money transactions between the banks multiple times a day – a great improvement to the Danish clearing system. Developments within mobile payments, combined with increasing international requirements for real-time payments, have driven the demand for moving money more quickly between accounts. Following the implementation of the new clearing system, Nets will deliver a new real-time clearing, planned to be launched in Q3 2014.

Teller
Based on its Nordic position Teller acquires international payment cards in Denmark, Norway, Sweden and 18 additional European countries. Teller is one of the three largest card acquirers in the Nordic region and acquires all major international payment cards (MasterCard, Visa, JCB, UnionPay and American Express).

In 2013 Teller entered into partnerships with several Nordic banks, among other launching joint customer campaigns.

Teller has also entered into a partnership with a Danish company for mPOS solutions. These solutions enable merchants to easily start using a tablet or a smartphone as a supplementary payment terminal in combination with a traditional cash register and a payment terminal solution. From now on, it is possible to carry out both the customer transaction and the actual payment on the shop floor through an integrated mobile payment solution compliant with the security standards known from stationary payment terminals.

In February, Teller was the first acquirer in Scandinavia to launch contactless payments. Furthermore, Teller launched Dynamic Currency Conversion (DCC) for ATMs, and by October all Kontanten ATMs in Sweden and Finland had access to DCC functionality supplied by Teller.

During 2013, Teller developed a concept called Nordic Reward, which allows merchants to attract their consumers' attention by sending them special offers by smartphone whenever the phone is close to a shop. As part of the concept Teller has developed the Teller Go! app, which the consumer downloads in order to start benefiting from the Nordic Reward facilities.

As the international card schemes decided that payment terminals in Denmark which did not meet the Payment Card Industry PIN Entry Device (PCI-PED) requirements had to be replaced by 1 January 2014 (outside Denmark the deadline was 1 January 2013), a large number of Teller customers replaced their payment terminals during the course of 2013. We have seen a very efficient replacement process, and as most merchants have chosen terminals with NFC technology, by the beginning of 2014 Denmark had an almost complete infrastructure for near-field contactless payments.

In 2014, Teller expects to grow its value proposition for customers and new segments both within and beyond the Nordic countries. Teller is also working on the development of a number of new value-added services aimed at further positioning the company as the Number One preferred acquirer in the Nordic countries and northern Europe in the coming years.

Merchant Solutions
Nets has a complete portfolio of payment solutions and value-added services which cater to the needs of both small shops and large multinational retail chains. These also include Netaxept payment solutions for online and mobile commerce as well as gift and loyalty cards and coupon services.

Nets operates in a very competitive market. Innovative new payment solutions and new players are entering the market constantly, affecting and changing the merchants' value chain. This calls for high levels of efficiency and security in order to continue to compete successfully.

In 2013, Nets successfully progressed in the consolidation of product portfolios while also renewing agreements with several key customers. The roll-out of the new terminal portfolio has begun and will continue in 2014. POS terminal implementations in Finland and Sweden were started as planned and the migration to a single common platform in Sweden was finalised.

In 2014, customer deliveries will be one of the main focus areas. Nets will show increased focus in offering multi-channel solutions, and loyalty and information services. The market-by-market launch of Nets' mPOS solution is expected to occur during 2014, starting in Norway in the first half of the year. The mPOS solution will directly meet customers' need for a smaller, lower priced, mobile card-based payment solution.

The plan is also to have a Nordic product offering widely available across all four market areas during the coming year.

Management and Organisation
In 2013 several initiatives were implemented in order to support the Future Nets strategy and drive the company-wide transformation programme.

In order for Nets to stay competitive in the future, we need to change our corporate culture to become a more performance-oriented and commercially driven organisation. In 2013 Nets started the journey of building a Performance Culture. Five key programmes were implemented to support this process: Performance Management, Leadership & Core Capability Development, Organisational & Talent Review, Compensation Benchmark & Incentive Models, and High Performance Team Programme.

As part of the new strategy, Nets revised the company values and created the Nets Code: "ACT" (Accountable, Customer Driven, Together) and the Nets Leadership Code: "LEAD" (Lead Myself, Engage Others, Accelerate Performance, Drive Future). These two codes specify a common direction and the capabilities and actions that are expected of managers and employees across the Group. They describe what best-in-class employees and leaders in Nets look like. The codes support Nets' performance culture and have the common aims of accelerating value creation for our customers and delivering business results for Nets.

In 2013 Nets continued its Competence Development Programme: Nets Leadership Academy, Nets Skills Academy, Nets Project Academy and Nets Sales Academy. The first module of a company-wide leadership development programme, "Lead2Act", was launched. This will run until the end of 2015 and will include all leaders in Nets. More than 350 development activities were implemented, building the competencies described in the Nets Code and the Nets Leadership Code as essential for executing the strategy.

Extensive changes were made in the organisation in 2013. More than 1,200 employees changed reporting lines and joined new teams, starting with the integration of 500 new Finnish colleagues as a result of the acquisition of Nets Oy. We reduced the number of management positions by 18%, changed more than 40% of the management positions, and did several large reorganisations across the Group – all carried out as part of the transformation programme supporting the strategy.

The results of the annual employee engagement survey, "PULSE", were satisfactory, given the many changes the organisation went through in 2013. Nets scored well on most key parameters and was right on the industry benchmark with regard to the overall engagement score. Areas for improvement have been addressed through action plans to be implemented in 2014.

Corporate Social Responsibility (CSR)
As an IT company and a leading supplier of payment, card and information solutions, Nets plays a significant role in the society in which we operate. Our core services enable significant savings for society, particularly by replacing cash with electronic means of payment. Our primary social responsibility is to help ensure that modern society functions safely and efficiently.

Nets' CSR efforts are based on the ten principles of the UN Global Compact and focus on our responsibilities in relation to:

- human rights
- employee relations
- climate and environmental impact
- supplier management
- community involvement.

Our CSR vision is to integrate corporate social responsibility and the five principal areas into our daily routines and to make corporate social responsibility an integral part of running our business.

To realise this vision, we have identified three primary objectives:

- to embed CSR internally through dialogue and involvement;
- to introduce a new Code of Conduct for staff and suppliers in order to set out a framework for our ethical business standards; and
- to regularly systematise and document our commitment to corporate social responsibility.

In 2013 Nets worked on the following activities, among others, in relation to our CSR focus areas:

- The Board of Directors adopt a diversity policy that specifies a framework for the number of women in management positions at Nets, as well as targets for the proportion of female members of the Nets Board of Directors by the end of 2015.
- Completion of the updated Code of Conduct for Nets' suppliers, which from now on will form an integral part of agreements between Nets and our partners.
- Various donations to selected charitable organisations and projects in Norway, Denmark, Sweden, Finland and Estonia, as well as ongoing cooperation with ISOBRO – the Danish collection agencies' trade association.

In 2014, we will continue to systematise our CSR approach with updated policies within our five main areas, improved external information on our website, the implementation of new ethical guidelines for employees, plus any new community involvement initiatives related to Nets' business.

Nets regards diversity as an important prerequisite for operating a healthy, forward-looking company, and this is included as a parameter of our overarching CSR work. Nets seeks to be an attractive workplace for both women and men, and we endeavour to ensure that women and men have equal opportunities for furthering their careers and for attaining and occupying management roles.

Nets seeks to approach a gender balance (40/60) of capable female and male executives. As of 31 December 2013, a total of 37% female and 63% male executives were employed in the top six echelons of management in the Nets Group. The diversity development is reported to the Board of Directors once a year.

Nets' Board of Directors aims to increase the proportion of women on the Group's board to 20% by the end of 2015.

The proportion of female Board members is currently 0%. The 2015 target should be achieved through the normal constitution work of the Board of Directors.

Risk and Security Management

Nets' business is based on the trust of its customers. Compliant, secure and stable operations are the core of Nets' business and are constantly in focus throughout the organisation. Nets' Risk and Security Management objective is to enable our customers to feel secure when using Nets' systems and services.

Nets Holding A/S' Board of Directors has overall responsibility for the security of the Nets Group. Nets' Board has established the Audit Committee, which oversees management of risk, compliance and security at Nets. The Nets Group's Risk Committee prepares risk, compliance and security policies and reports to the Audit Committee. The Risk Committee ensures cross-organisational evaluation for coherence and a balance of customer needs, business needs and security requirements.

Nets has adopted the three lines of defence model as the main governance principle to enhance the management of risk and internal controls. The model is used to structure roles, responsibility and accountability for decision-making. A corporate-level risk management framework for strategic, business, financial and operational risks has been established to identify and analyse threats, to make well-informed risk response decisions and to control risk mitigation actions.

The external threat scenario is constantly changing, and developments are closely monitored by Nets. Nets has a risk-based approach to security; thus, Information Security has the highest priority.

Systems processing cardholder data are certified in accordance with mandatory standards such as PCI DSS. The overall security framework is based on ISF Standard of Good Practice (SoGP) and aligned with ISO standards, national operational risk management regulations, PCI DSS and COBIT. General IT controls are audited annually by external Independent System Auditors and an ISAE3402 assurance report on the description of controls and their design and operating effectiveness is delivered to clients according to agreements.

Annual IT risk assessments are carried out on systems, platforms and operating centres, and decisions are made on an ongoing basis concerning new threats and vulnerabilities. IT risk assessments are carried out on the basis of international standards for risk management.

To ensure continuity of the service provisioning and stable operations, Nets has established a corporate-level business continuity management framework. Critical systems have disaster recovery plans and fall-back solutions. Fall-back solutions are tested regularly in conjunction with our customers and suppliers in accordance with agreed requirements. Nets participates actively in national cyber security and crisis drills due to its role as a critical infrastructure service provider for local society.

Financial risk management is conducted in accordance with established policies and instructions. The companies within the Nets Group have invested any surplus liquidity in deposits or securities. These investments have a foreign exchange and credit risk which is actively followed and managed.

Nets manages identity theft and card fraud risks at national and international level. Nets supports initiatives which will prevent fraudulent use of its products or its customers' payment products. These initiatives have significantly reduced the losses suffered by both customers and Nets as a result of fraud.

Outlook for 2014

With the positive progress we have seen in 2013, Nets is well-placed to achieve the goals of Future Nets in 2014, which are to prove ability to deliver as promised, to improve efficiency to become "best in class" and to commercialise to stay competitive.

In addition to the continued focus on operational reliability, customer satisfaction, efficiency and "best in class", Nets has ambitious commercial targets, including the roll-out of Nets' Mobile Wallet Platform to banks and retail customers within and beyond the Nordic region and implementation of Nets' Card Management System (Way4) at a number of Nordic banks.

In 2014, Nets expects a high level of activity, increased revenue and operating profit compared with 2013.

In 2014, the Danish Competition Council is expected to adopt a decision approving a commitment agreement with Nets removing the concerns raised by the Danish Competition and Consumer Authority based on the inspection at Nets in 2012.

As mentioned in the foreword, a process was initiated with the aim of clarifying Nets' future ownership. The process is ongoing and expected to be resolved during the course of 2014.

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management have today discussed and approved the annual report of Nets Holding A/S for the financial year 2013.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and further disclosure requirements required according to the Danish Financial Statements Act. The financial statements of the parent company have been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2013, the results of the Group and Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2013.

In our opinion, the Management review includes a fair review of the development in the Group's and the Parent Company's operations and financial conditions, the results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Group and the Parent Company face.

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

Ballerup, 3 March 2014

Executive Management

Mette Kamsvåg
CEO

Board of Directors

Peter Lybecker *Chairman*	Leif Teksum *Vice Chairman*	Finn Haugan
Gert Rinaldo Jonassen	Jan Erik Kjerpeseth	Tom Høiberg
Tonny Thierry Andersen	Hugo Frey Jensen	Frank A. Olsen
Ulrik Røikjær Thomsen	Ove Kolstad	Lars Morten Haga

Independent Auditors' Report

To the shareholders of Nets Holding A/S

Report on the consolidated financial statements and the parent company financial statements
We have audited the consolidated financial statements and the parent company financial statements of Nets Holding A/S for the financial year 1 January – 31 December 2013. The consolidated financial statements and the parent company financial statements comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies for the Group as well as for the parent company and consolidated statement of comprehensive income and consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act. Further, the consolidated financial statements are prepared in accordance with additional disclosure requirements in the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU (the consolidated financial statements), the Danish Financial Statements Act (the parent company financial statements) and additional disclosure requirements in the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2013 and of the results of the Group's and the parent company's operations and the consolidated cash flows for the financial year 1 January – 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act in respect of the consolidated financial statements and in accordance with the Danish Financial Statements Act in respect of the parent company financial statements.

Statement on the Management's review
Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 3 March 2014

KPMG
Statsautoriseret Revisionspartnerselskab

Anders Duedahl-Olesen State Authorised Public Accountant	Thomas Bruun Kofoed State Authorised Public Accountant

Consolidated income statements

(DKKm)	Note	2013	2012
Revenue, gross	4	8,686	7,436
Interchange fees and processing fees		-1,959	-1,474
Revenue, net		**6,727**	**5,962**
Cost of sales		-1,157	-1,082
Gross profit		**5,570**	**4,880**
External expenses	28	-2,067	-1,817
Staff costs	5	-2,175	-1,988
Other operating income and expenses	6	-4	2
Operating profit before depreciation and amortisation (EBITDA)		**1,324**	**1,077**
Depreciation, amortisation and impairment losses	7	-448	-336
Operating profit (EBIT)		**876**	**741**
Profit from associates after tax	21	6	30
Financial income		111	207
Financial expenses		-86	-12
Net financials	22	**25**	**195**
Profit before tax		**907**	**966**
Income taxes	8	-294	-268
Net profit for the year		**613**	**698**
Profit is attributable to:			
Owners of Nets Holding A/S		613	698
Non-controlling interests		-	-
		613	**698**

Consolidated statement of comprehensive income

(DKKm)	Note	2013	2012
Net profit for the year		**613**	**698**
Other comprehensive income:			
Items that will not be reclassified subsequently to the consolidated income statement:			
Actuarial losses on defined benefit pension plans	15	-13	-1
Tax		4	0
Total items never reclassified to the consolidated income statement		**-9**	**-1**
Items that will be reclassified subsequently to the consolidated income statement, when specific conditions are met:			
Currency translation adjustments, foreign enterprises		-148	64
Total items that may be reclassified to the consolidated income statement subsequently		**-148**	**64**
Other comprehensive income for the year, net of tax		**-157**	**63**
Total comprehensive income for the year		**456**	**761**
Total comprehensive income for the year is attributable to:			
Owners of Nets Holding A/S		**456**	**761**
Non-controlling interests		-	-
		456	**761**

Consolidated balance sheet as at 31 December

(DKKm)	Note	2013	2012	1/1 2012
Assets				
Non-current assets				
Goodwill	9	719	934	417
Other intangible assets	9	1,017	1,124	949
Plant and equipment	10	310	416	356
Investment in associates	21	22	32	53
Deferred tax asset	8	76	95	110
Other financial assets		18	18	14
Securities and investments		-	-	442
Total non-current assets		**2,162**	**2,619**	**2,341**
Current assets				
Inventories	11	131	184	175
Trade and other receivables	12	627	612	611
Receivable from cardholders		1,205	1,954	-
Settlement assets		3,832	4,324	1,430
Tax receivables		-	16	4
Prepayments		221	196	177
Securities		585	715	204
Cash and cash equivalent	19	2,374	1,760	1,770
Assets held-for-sale	26	592	-	-
Total current assets		**9,567**	**9,761**	**4,371**
Total assets		**11,729**	**12,380**	**6,712**

Consolidated balance sheet as at 31 December

(DKKm)	Note	2013	2012	1/1 2012
Equity and liabilities				
Equity				
Share capital	16	184	184	184
Reserves		-84	64	-
Retained earnings		1,694	1,588	1,389
Proposed dividends		498	498	498
Equity, owners of Nets Holding A/S		**2,292**	**2,334**	**2,071**
Non-controlling interests		15	-	-
Total equity		**2,307**	**2,334**	**2,071**
Non-current liabilities				
Borrowings	17	988	981	-
Provisions	14	4	7	10
Pension liabilities, net	15	71	98	111
Deferred tax liabilities	8	115	140	197
Total non-current liabilities		**1,178**	**1,226**	**318**
Current liabilities				
Borrowings	17	480	220	-
Provisions	14	1	-	-
Trade and other payables	13	1,121	1,133	822
Merchant creditors		3,382	4,238	2,532
Settlement obligations		2,503	2,496	778
Prepayments from cardholders		526	589	-
Current tax liabilities		166	129	147
Deferred income		12	15	44
Liabilities associated with assets held-for-sale	26	53	-	-
Total current liabilities		**8,244**	**8,820**	**4,323**
Total liabilities		**9,422**	**10,046**	**4,641**
Total equity and liabilities		**11,729**	**12,380**	**6,712**

Consolidated statement of cash flows for the year

(DKKm)	Note	2013	2012
Operating profit (EBIT)		876	741
Other operating income and expenses		4	-2
Depreciation, amortisation & impairment losses		448	336
Other non-cash items	23	40	16
Change in narrow working capital	20	-55	143
Net cash from operating activities before settlement and cardholder related balance and merchant creditors, financial items and tax (EBITDA cash flow)		**1,313**	**1,234**
Change in settlement assets		492	-2,559
Change in settlement obligations		7	1,708
Change in cardholder receivables		377	107
Change in cardholder prepayments		-14	8
Change in merchant creditors		-856	373
Net cash from operating activities before financial items and tax		**1,319**	**871**
Settlement of pension obligation paid		-11	-
Interest and similar items, net		19	57
Tax paid		-265	-323
Net cash from operating activities		**1,062**	**605**
Purchase of intangible assets		-170	-15
Purchase of plant and equipment		-157	-154
Proceeds from sale of plant and equipment		33	6
Proceeds from sale of investments		-	579
Proceeds from sale of associates		-	40
Proceeds/(payments) for securities		129	-511
Payments for investments in subsidiaries	25	-	-1,285
Deposits paid		-	-4
Dividends received		15	12
Net cash used in investing activities		**-150**	**-1,332**
Proceeds from borrowings		-	981
Dividends paid		-498	-498
Net cash flows from financing activities		**-498**	**483**
Net cash flow for the year		**414**	**-244**
Cash and cash equivalents at beginning of 1 January		**1,540**	**1,770**
Exchange gains/(losses) on cash and cash equivalents		-60	14
Cash and cash equivalents at end of financial at 31 December	19	**1,894**	**1,540**
Securities - highly liquid		585	715
Cash at bank and securities available for short-term cash management	19	**2,479**	**2,255**
Credit lines - unused 31 December		5,557	
Restricted cash 31 December		-39	
Cash preparedness		**7,997**	

Consolidated statement of changes in equity

(DKKm)	Share capital	Reserves	Retained earnings	Proposed dividends	**Equity, owners Nets Holding A/S**	Non-controlling interests	**Total equity**
2013							
Equity 1 January	184	64	1,588	498	**2,334**	-	**2,334**
Net profit for the year	-	-	613	-	**613**	-	**613**
Other comprehensive income for the year							
Items that will not be reclassified subsequently to the consolidated income statement:							
Actuarial losses related to defined benefit pension plans	-	-	-13	-	**-13**	-	**-13**
Tax	-	-	4	-	**4**	-	**4**
Items that will be reclassified subsequently to the consolidated income statement, when specific conditions are met:							
Currency translation adjustments, foreign enterprises	-	-148	-	-	**-148**	-	**-148**
Other comprehensive income for the year	-	-148	-9	-	**-157**	-	**-157**
Total comprehensive income for the year	**-**	**-148**	**604**	**-**	**456**	**-**	**456**
Non-controlling interests from business combination	-	-	-	-	**-**	15	**15**
Distributed dividends	-	-	-	-498	**-498**	-	**-498**
Proposed dividends	-	-	-498	498	**-**	-	**-**
Total changes in equity	**-**	**-148**	**106**	**-**	**-42**	**15**	**-27**
Equity 31 December	**184**	**-84**	**1,694**	**498**	**2,292**	**15**	**2,307**

Consolidated statement of changes in equity

(DKKm)	Share capital	Reserves	Retained earnings	Proposed dividends	**Equity, owners Nets Holding A/S**	Non-con-trolling interests	**Total equity**
2012							
Equity 1 January	184	-	1,389	498	**2,071**	-	**2,071**
Net profit for the year	-	-	698	-	**698**	-	**698**
Other comprehensive income for the year							
Items that will not be reclassified subsequently to the consolidated income statement:							
Actuarial losses related to defined benefit pension plans	-	-	-1	-	**-1**	-	**-1**
Items that will be reclassified subsequently to the consolidated income statement, when specific conditions are met:							
Currency translation adjustments, foreign enterprises	-	64	-	-	**64**	-	**64**
Other comprehensive income for the year	-	64	-1	-	**63**	-	**63**
Total comprehensive income for the year	**-**	**64**	**697**	**-**	**761**	**-**	**761**
Distributed dividends	-	-	-	-498	**-498**	-	**-498**
Proposed dividends	-	-	-498	498	**-**	-	**-**
Total changes in equity	**-**	**64**	**199**	**-**	**263**	**-**	**263**
Equity 31 December	**184**	**64**	**1,588**	**498**	**2,334**	**-**	**2,334**

Notes to the consolidated financial statements

Basis of preparation

Introduces our adoption of IFRS, financial accounting policies in general and an overview of Management's key accounting estimates.

Result for the year

Comprises the notes related to the result for the year including taxes and employee benefits.

Operating assets and liabilities

Relates to the assets that form the basis of activities of Nets Group, and the related liabilities.

Capital structure and financing items

Encompasses notes related to capital structure and financing items.

Other disclosures

Includes other statutory notes.

Note 1 Accounting policies

1.1 Basis of preparation
The consolidated financial statements included in this annual report have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and additional Danish disclosure requirements. As set out in note 3, these are the Group's first consolidated financial statements prepared in accordance with IFRS. The Company is incorporated and registered in Denmark, and the functional and presentational currency of the Group is DKK.

In accordance with IFRS 1, the opening balance sheet at 1 January 2012 and the comparative figures for 2012 have been prepared in accordance with the IFRS/IAS and IFRC/SIC applicable at 31 December 2013. The opening balance sheet at 1 January 2012 is prepared as if these standards and interpretations had always been applied apart from the IFRS exemption and commencement provisions described in note 3.

1.2 Recognition and measurement
Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be reliably measured. Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

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

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

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

1.3 Consolidation
The consolidated financial information incorporates the financial information of the Group and entities controlled by the Company (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. When assessing the power to govern the potential voting rights at the balance sheet date, which could be exercised are included.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, 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 other members of the Group.

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

1.4 Business combinations
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the net assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Any subsequent change to contingent acquisition costs are recognised as financial expense in the consolidated income statement. Acquisition related costs are recognised in the consolidated income statements as incurred.

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 as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are initially measured at the non controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Note 1 Accounting policies (continued)

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, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. The effect of the adjustment is recognised in the opening balance of equity 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.

1.5 Foreign currency translation
Functional and presentation 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 Danish kroner (DKK), which is also the functional and presentation 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 are translated into Danish kroner at the exchange rates prevailing at the end of the reporting period for assets and liabilities, and at average exchange rates for consolidated income statements and other comprehensive income items.

All effects of exchange rate adjustment are recognised in the consolidated income statement, with the exception of 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 translation of non-current intra-Group receivables that are considered to be an addition to net investments in subsidiaries.

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

1.6 Revenue recognition
Revenue represents (1) amounts from transaction processing in relation to issuing, co-issuing and acquiring card activities; (2) amounts from the sale of secure transactions of data between the customer and an acquiring bank or processor; (3) products, which include the sale or lease of terminals and electronic payment systems with incidental software or accessories; and (4) services, which include, fees for installation and deployment, customer support, repair services, and custom software development.

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

Net revenues from services obligations to be provided over a period of time are initially deferred and then recognized on a straight-line basis over the period during which the services are provided.

Note 1 Accounting policies (continued)

Revenue is recognised as the gross amount excl. VAT, taxes and duties and discounts in relation to the sale. Revenue is measured at the fair value of the consideration received or receivable.

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

1.8 Cost of sales
Cost of sales is the accumulated total of all related to products and services, which has been sold. This represents mainly cost of terminals sold and decentralised production costs.

1.9 External expenses
External expenses incurred in generating the revenue for the year comprise IT operation, operating leases of software, loss and fraud, maintenance and development costs that do not qualify for capitalisation, postage, envelopes and other costs incurred in distributing goods as well as marketing and other sales costs and administration costs and lease agreements.

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

1.11 Other operating income and expenses
Other operating income and expenses comprise gains and losses of a secondary nature in relation to the main activities of Nets Group. Gains and losses on disposal of plant & equipment are recognised when the significant risks and rewards of the ownership of the assets has transferred to the buyer.

1.12 Gain and losses on divestments
Comprises gains and losses on divestments of activities.

1.13 Profit from associates after tax
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 statements.

1.14 Financial income / expenses
Financial income and expenses comprises interest income and expenses, realised and unrealised gains, and dividends, losses on transactions denominated in foreign currencies and securities and subsequent changes to contingent acquisitions costs.

1.15 Taxes
Tax for the year comprises current income tax, change in deferred tax and adjustments from prior years.

Current income tax liabilities and current income tax receivables are recognised in the Balance Sheets as income tax payable or income tax receivable.

Deferred tax is measured using the balance sheet liability method on the basis of all temporary differences between the carrying amount and the tax base of assets and liabilities at the balance sheet date except for temporary differences arising from goodwill on initial recognition and other items where amortisation for tax purposes is disallowed.

Deferred tax assets are recognised if they can be set off 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 at the balance sheet date when the deferred tax is expected to be realised as current income tax. 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 set off and the deferred tax assets and liabilities relate to the same legal tax entity.

Nets Holding A/S and Danish subsidiaries are jointly taxed. The current Danish corporation tax allocated between the jointly taxed companies in proportion to their taxable income is recognised in the consolidated income statements. The tax saving as a result of losses is also refunded proportionately.

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 1 Accounting policies (continued)

1.16 Intangible assets

1.16.1 Development projects
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 software product so that it will be available for use;
- Management intends to complete the software product and there is an ability to use or sell it;
- The software product will generate probable future economic benefits; and
- Expenditure attributable to the software product during its development can be reliably measured.

Costs associated with maintaining computer software programs are recognised as an expense when incurred.

Directly attributable costs that are capitalised as part of the software product include the employee costs and an appropriate portion of relevant overheads.

Development projects and computer software development costs recognised as assets are amortised over their estimated useful lives of 3-7 years.

Development projects in process are tested for impairment at least annually and written down to recoverable amount in the consolidated income statements if exceeded by the carrying amount.

1.16.2 Customer agreements
Customer agreements 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 their estimated useful lives, which does not exceed 15 years.

1.16.3 Rights
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 their estimated useful lives of 3-10 years.

1.16.4 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.

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 when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its 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 consolidated income statements. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

1.17 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 lives of the assets concerned. Depreciation is provided on a monthly basis with the first charge occurring in the month of acquisition and no charge in the month of disposal.

The estimated useful lives used for this purpose are:

Leasehold improvements	10 years
Terminals	3 years
Plant and machinery	2-4 years
Fixture, fitting and equipment	2-5 years

Note 1 Accounting policies (continued)

1.18 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 its fair value less cost to sell and its value in use. Value in use is the present value of future cash flows from the asset or cash-generating unit discounted at a pre-tax rate that reflects market interest rates adjusted for risks specific to the asset or cash-generating unit that have not been reflected in the estimation of future cash flows. If the recoverable amount of an intangible assets or plant and equipment is less than its carrying value, an impairment loss is recognised immediately in the consolidated income statements and the carrying value of the asset reduced by the amount of the loss.

A reversal of an impairment loss on other intangible assets or plant and equipment is recognised as it arises provided the increased carrying value does not exceed, the initial value the asset had before any impairment loss was recognised. Impairment losses on goodwill are not reversed.

1.19 Investments in associates
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 with the addition of rights.

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.

1.20 Securities and investments
Equity investments that are recognised in non-current assets are measured at fair value.

Listed securities are measured at the fair value at the balance sheet date.

Other investments whose fair value cannot be reliably determined are recognised at cost. The carrying amount is tested for impairment annually and written down in the consolidated income statements. When a reliable fair value is determinable, such investments are measured accordingly. Unrealised fair value adjustments are recognised directly in Other comprehensive income except for impairment losses and translation adjustments of foreign currency investments that are recognised in the consolidated income statements. The accumulated fair value adjustment recognised in Other comprehensive income is transferred to the Consolidated income statements when realised.

1.21 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.

1.22 Trade and other receivables
Trade and other receivables are measured initially at fair value and thereafter at amortised cost. Write-downs for anticipated doubtful debts are based on individual assessments of major receivables and historically experienced write-down for anticipated losses on uniform groups of other receivables.

1.23 Prepayments
Prepayments comprise costs incurred, including prepaid wages and salaries and operating leases concerning subsequent financial years. Prepayments are measured at cost.

1.24 Receivable from cardholders
Receivable from cardholders are measured initially at fair value and thereafter at amortised cost. Write-downs for anticipated doubtful debts are based on an assessment of potential risk, individual assessments of receivables and historically experienced write-down for anticipated losses on uniform groups of these receivables.

The balance consists primarily of receivable from cardholders for consumption in December.

1.25 Settlement assets and settlement obligations
Settlement assets and settlement obligations are measured initially at fair value and thereafter at amortised cost.

Note 1 Accounting policies (continued)

Settlement assets consist primarily of the Group's receivables from the card schemes/networks for transactions processed on behalf of merchants where it is a Member of that particular scheme/network.

Settlement obligations consist primarily of the Group's obligations to the card schemes/networks for transactions processed on behalf of merchants where it is a Member of that particular scheme/network.

The Settlement assets and settlement obligations are primarily clearing transactions and fees that are cleared at the beginning of January with card issuers and card acquirers, respectively.

1.26 Assets held-for-sale
Non-current assets and associated liabilities are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable.

Assets designated as held for sale are held at the lower of carrying amount at designation and fair value less costs to sell. Depreciation is not charged against plant and equipment classified as held for sale.

1.27 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 Directors, 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 Danish kroner. Translation adjustments are recognised in the consolidated income statements when the net investment is realised.

1.28 Provisions
Provisions are recognised when – as a consequence of an event occurring before or on the balance sheet date – the Group has a legal or constructive obligation, where it is probable that economic benefits must be provided to settle the obligation, and the amount of the obligation can be estimated reliably.

Provisions are measured at the fair value of the Group's guarantees and customer chargebacks.

Provisions for restructuring, etc. are recognised when a final decision thereon has been made before or on the balance sheet date and has been announced to the parties involved, provided that the amount can be measured reliably. Provisions for restructuring are based on a defined plan, which means that the restructuring commences immediately after the decision has been made.

Provisions are measured at Management's best estimate of the amount at which the liability is expected to be settled. If the expenditure required to settle the liability has a significant impact on the measurement of the liability, such costs are discounted.

1.29 Borrowings
Interest-bearing loans are recognised initially at the fair value net of transaction expenses incurred. In subsequent periods, loans are measured at amortised cost so that the difference between the proceeds and the nominal value is recognised in the Consolidated income statements over the term of the loan.

1.30 Merchant creditors
Merchant creditors consist primarily of the Group's liability to merchants for transactions that have been processed but not yet settled where it is a Member of that particular scheme/network. Merchant creditors are measured at amortised cost.

1.31 Prepayment from cardholders
Prepayment from cardholders consists primarily of prepayments of vouchers and gift cards. Prepayment from cardholders are measured at amortised cost.

1.32 Deferred income
Deferred income recognised as liabilities comprises payments received covering income in subsequent periods measured at cost. This includes license fees and subscription fees.

1.33 Pension assets and pension obligations
Nets Group has entered into defined benefit plans and defined contribution plans with its employees.

Note 1 Accounting policies (continued)

In a defined benefit plan, Nets 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 plans' assets at fair value is recognised for these benefit plans.

The obligations are determined annually by independent actuaries calculating the present value of future benefits payable, assuming that each year of service gives rise to an additional unit of benefit entitlement, and each unit is measured separately to build up the final obligations. Estimation of future obligations is based on the Group's projected future developments in mortality, early retirement, future wages, salaries and benefit levels, interest rate, etc. The defined pension plans' assets are estimated at fair value at the balance sheet date.

Differences between the projected and realised developments in pension assets and pension obligations are referred to as actuarial gains and losses and are recognised in Other comprehensive income when gains and losses occur.

Pension assets are recognised to the extent they represent future repayments from the pension plan.

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 consists of the items: service cost, interest expenses and interest income on assets. Service cost is 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.

1.34 Leases

Contracts to lease assets are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the Group. Other contracts to lease assets are classified as operating leases.

The Group as lessor

Rental income from operating leases for merchant terminals is recognised over the lease-term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

1.35 Netting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, there is a legally enforceable right to set off the recognised amounts; and intent either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.36 Consolidated statements of cash flows

Cash flow from operating activities is presented under the indirect method and is based on profit before financial items.

Changes to narrow working capital comprise of changes in total working capital excluding settlement assets and obligations, cardholder receivables and merchant creditors.

Cash flow from investing activities comprises acquisition and divestment of enterprises, purchase and sale of intangible assets, plant and equipment as well as other non-current assets, and purchase and sale of securities that are not recognised as cash and cash equivalents. Cash flows from acquired enterprises are recognised from the time of acquisition, while cash flows from enterprises divested are recognised up to the time of divestment.

Cash flow from financing activities comprises changes in interest-bearing debt and dividends to shareholders.

Note 1 Accounting policies (continued)

Cash and cash equivalents comprises cash, and short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

1.37 New International Financial Reporting Standards and interpretations

Based on an assessment of new or amended and revised accounting standards and interpretations issued by IASB and IFRS endorsed by the European Union effective on or after 1 January 2013, it has been assessed that the application of these new IFRS has not had a material impact on the Consolidated financial statements in 2013 and Management does not anticipate any significant impact on future periods from the adoption of these new IFRS. Nets has decided to implement the amendments to IAS 36 with effect from 1 January 2013.

New or amended IFRSs that have been issued but have not yet come into effect and have not been early adopted

IASB has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect. The following standards are in general expected to change current accounting regulation most significantly:

IFRS 10 changes when an entity should be consolidated. IFRS 10 establishes that an investor should consolidate another entity when it has de facto control over it, although it does not control the majority of shares or votes . In addition, potential voting rights and conversion shall be evaluated since, in conjunction with other rights could lead to calls for consolidation before they are exploitable. The Group expects that the standard will have limited effect on the Group. The standard is mandatory for financial years beginning on 1 January 2014 or later.

IFRS 12 contains disclosure requirements for both consolidated and non-consolidated companies , joint ventures and associates. The purpose is to provide information that enables users of financial statements to evaluate the basis for control , risks associated with participation in companies that are not consolidated , any restrictions on consolidated assets and liabilities and minority involvement in group activities. The standard will only affect the disclosure requirements of the Group. The standard is mandatory for financial years beginning on 1 January 2014 or later.

IASB has issued IFRS 9 Financial Instruments, which awaits final effective date and EU endorsement. IFRS 9 is part of the IASB's project to replace IAS 39, and the new standard will substantially change the classification and measurement of financial instruments and hedging. Currently, the Group does not use hedging, hence the Group has assessed the impact of the standard and determined that it will not have any significant impact on the Consolidated financial statements in its current wording, except for changes in classification.

IASB has issued re-exposure drafts on IAS 17 Leasing and IAS 18 Revenue. The revised IAS 18 is expected to have only immaterial impact on the Consolidated financial statements. Depending on the wording of the final standard, the change in lease accounting is expected to require capitalisation of the majority of the Group's operating lease contracts, representing less than 5% of total assets, with a minor impact on the Group's assets, liabilities and financial ratios, and no significant impact on net profit.

Note 2 Critical accounting estimates and judgments

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

Management considers the following estimates and related judgments material to the assets and liabilities recognised in the consolidated financial statements.

2.1 Recoverable amount of goodwill and capitalised development projects

The assessment of whether goodwill and/or capitalised developments projects are subject to impairment, requires significant Management judgement in determining various assumptions, such as cash-flow projections, discount rate and terminal growth rates. The sensitivity of the estimated measurement to these assumptions, combined or individually, can be significant. Furthermore, the use of different estimates or assumptions when determining the fair value of such assets may result in different values and could result in impairment charges in future periods. At 31 December 2013, the carrying amounts are :

- Goodwill DKK 719 million (at 31 December 2012 DKK 934 million)
- Development projects DKK 423 million (at 31 December 2012 DKK 385 million)

2.2 Useful life of customer agreements

Useful lives for customer agreements are determined based on periodic assessments of customer churns or actual useful lives 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. At 31 December 2013, the carrying amount is DKK 590 million (at 31 December 2012 DKK 729 million).

2.3 Assets held for sale

Assets and some groups of assets and liabilities (known as disposal groups) are classified as held-for-sale when it is considered highly probable that their carrying amount will be recovered through sale. Assets and some group of assets and liabilities classified as held-for sale are measured at their fair value less costs to sell which includes Management judgments in determining the expected sales price and costs. At 31 December 2013, the carrying amount, related to Prepaid and Eurocard activities, is DKK 592 million (at 31 December 2012 DKK 0 million). Related liabilities amount to DKK 53 million.

2.4 Defined benefit plans

The pension obligation cost 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 actuarial assumptions 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. At 31 December 2013, the carrying amount is net DKK 71 million (at 31 December 2012 DKK 98 million).

2.5 Tax

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 foreseeable future. This judgement is made annually and based on budgets and business plans for the coming years, including planned commercial initiatives. At 31 December 2013, the carrying amount of the deferred tax assets is DKK 76 million (at 31 December 2012 DKK 95 million) and not recognised tax losses is DKK 250 million (at 31 December 2012 DKK 190 million).

2.6 Business combinations

On 1 November 2012, the Group acquired 100% of the share capital of Nets Oy (former Luottokunta OY) for the total consideration of DKK 1,330 million excluding acquisition costs. The allocation of the total consideration transferred to the fair value of the acquired assets, liabilities and contingent liabilities and thus goodwill, including the allocation to cash-generating units, may have a significant impact on the future profits. Fair values are based on estimates using information available at the time control was achieved. Significant identified and measured fixed assets at 1 November 2012, including adjustments in the measurement period related to deferred tax in regards to the applied advance tax ruling, resulting in an adjustment in goodwill of DKK 31 million, were:

- Goodwill DKK 505 million
- Development projects DKK 255 million
- Customer agreements DKK 64 million

Note 3 First-time adoption of IFRS

Transition to IFRS

The accounting policies set out in note 1 have been applied in preparing the consolidated financial statements for the year ended 31 December 2013, the comparative information presented in this consolidated financial statements for the year ended 31 December 2012 and in the preparation of an opening IFRS balance sheet at 1 January 2012 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted the amounts reported previously in consolidated financial statements prepared in accordance with Danish GAAP. An explanation of how the transition from Danish GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables below.

3.1 Initial elections upon adoption

Set out below are the applicable IFRS 1 exemptions and exceptions applied in the transition from Danish GAAP to IFRS.

3.1.1 IFRS exemption options

3.1.1.1 Exemption for business combinations

IFRS 1 provides the option to apply IFRS 3 Business combinations prospectively from the transition date or from a specific date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date. The group elected to apply IFRS 3 prospectively to business combinations occurring after the transition date. Business combinations occurring prior to the transition date have not been restated.

3.1.1.2 Exemption for cumulative translation differences

IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with IAS 21 The effects of changes in foreign exchange rates from the date a subsidiary or equity method investee was formed or acquired. The group elected to reset all cumulative translation gains and losses to zero in opening foreign currency translation reserve at its transition date.

3.2 Effect of IFRS adoption

The effects of IFRS adoption are set out in the tables below.

Note 3 First-time adoption of IFRS (continued)

3.2.1 Effect of IFRS adoption for the consolidated balance sheet

(DKKm)	Notes	At 1 January 2012 (date of transition)			At 31 December 2012 (end of last period presented under previous Danish GAAP)		
		Previous Danish GAAP	Effect of transition to IFRS	Opening IFRS balance sheet	Previous Danish GAAP	Effect of transition to IFRS	IFRS
Non-current assets							
Goodwill	c) e)	417	-	417	919	15	934
Other intangible assets		949	-	949	1,124	-	1,124
Plant and equipment		356	-	356	416	-	416
Investment in associates		53	-	53	32	-	32
Deferred tax asset		110	-	110	95	-	95
Other financial assets		14	-	14	18	-	18
Securities and investments		442	-	442	-	-	-
Total non-current assets		**2,341**	**-**	**2,341**	**2,604**	**15**	**2,619**
Current assets							
Inventories		175	-	175	184	-	184
Trade and other receivables		611	-	611	612	-	612
Receivable from cardholders		-	-	-	1,954	-	1,954
Settlement assets		1,430	-	1,430	4,324	-	4,324
Tax receivables		4	-	4	16	-	16
Prepayments		177	-	177	196	-	196
Securities and investments		204	-	204	715	-	715
Cash at bank and on hand		1,770	-	1,770	1,760	-	1,760
Total current assets		**4,371**	**-**	**4,371**	**9,761**	**-**	**9,761**
Total assets		**6,712**	**-**	**6,712**	**12,365**	**15**	**12,380**

Note 3 First-time adoption of IFRS (continued)

3.2.1 Effect of IFRS adoption for the consolidated balance sheet

(DKKm)	Notes	At 1 January 2012 (date of transition)			At 31 December 2012 (end of last period presented under previous Danish GAAP)		
		Previous Danish GAAP	Effect of transition to IFRS	Opening IFRS balance sheet	Previous Danish GAAP	Effect of transition to IFRS	IFRS
Equity							
Share capital		184	-	184	184	-	184
Reserves		-	-	-	64	-	64
Retained earnings		1,389	-	1,389	1,573	15	1,588
Proposed dividends		498	-	498	498	-	498
Total equity		**2,071**	**-**	**2,071**	**2,319**	**15**	**2,334**
Non-current liabilities							
Borrowings		-	-	-	981	-	981
Provisions		10	-	10	7	-	7
Pension liability, net		111	-	111	98	-	98
Deferred tax liabilities		197	-	197	140	-	140
Total non-current liabilities		**318**	**-**	**318**	**1,226**	**-**	**1,226**
Current liabilities							
Borrowings		-	-	-	220	-	220
Trade and other payables		822	-	822	1,133	-	1,133
Merchant creditors		2,532	-	2,532	4,238	-	4,238
Settlement obligations		778	-	778	2,496	-	2,496
Prepayments from cardholders		-	-	-	589	-	589
Current tax liabilities		147	-	147	129	-	129
Deferred income		44	-	44	15	-	15
Total current liabilities		**4,323**	**-**	**4,323**	**8,820**	**-**	**8,820**
Total liabilities		**4,641**	**-**	**4,641**	**10,046**	**-**	**10,046**
Total equity and liabilities		**6,712**	**-**	**6,712**	**12,365**	**15**	**12,380**

Note 3 First-time adoption of IFRS (continued)

3.2.2 Reconciliation of equity

(DKKm)	Notes	At 1 January 2012 (date of transition)	At 31 December 2012 (end of last period presented under previous Danish GAAP)
Total equity under previous GAAP		**2,071**	**2,319**
Derecognition of capitalised acquisition costs	c)	-	-70
Goodwill no longer amortised as from the date of transition	e)	-	85
Tax effect of the above	e)	-	
Total adjustment to equity		-	**15**
Total equity under IFRS		**2,071**	**2,334**

Note 3 First-time adoption of IFRS (continued)

3.2.3 Effect of IFRS adoption for the consolidated income statements and the consolidated statement of comprehensive income for the year ended 31 December 2012

(DKKm)	Notes	At 31 December 2012 (end of last period presented under previous Danish GAAP) Previous GAAP	Effect of transition to IFRS	IFRS
Consolidated income statements				
Revenue, gross	a)	5,962	1,474	7,436
Interchange fees and processing fees	a)	-	-1,474	-1,474
Revenue, net		**5,962**	**-**	**5,962**
Cost of sales	b)	-	-1,082	-1,082
Gross profit		**5,962**	**-1,082**	**4,880**
External expenses	b) c)	-2,829	1,012	-1,817
Personnel expenses	d)	-1,989	1	-1,988
Other income and expenses	f)	-	2	2
Operating profit before depreciation and amortisation (EBITDA)		**1,144**	**-67**	**1,077**
Depreciation, amortisation and impairment losses	e) f)	-419	83	-336
Operating profit (EBIT)		**725**	**16**	**741**
Profit from associates		30	-	30
Financial income		207	-	207
Financial expenses		-12	-	-12
Net financials		**195**	**-**	**195**
Profit before tax		**950**	**16**	**966**
Income taxes	d)	-268	0	-268
Net profit for the year		**682**	**16**	**698**
Consolidated statements of comprehensive income				
Net profit for the year		**682**	**16**	**698**
Other comprehensive income:				
Items that will not be reclassified subsequently to the Consolidated Income statement:				
Actuarial losses related to defined benefit pension plans	d)	-	-1	-1
Tax	d)	-	0	0
Items that will be reclassified subsequently to the Consolidated Income statement, when specific conditions are met:				
Currency translation adjustments, foreign enterprises		-	64	64
Other comprehensive income for the year, net of tax		**-**	**63**	**63**
Total comprehensive income for the year		**682**	**79**	**761**

Note 3 First-time adoption of IFRS (continued)

3.2.4 Reconciliation of profit

(DKKm)	Notes	At 31 December 2012 (end of last period presented under previous Danish GAAP) Profit before tax	Profit before tax
Previous GAAP		950	682
Goodwill no longer amortised as from the date of transition	e) f)	85	85
Actuarial losses moved to other comprehensive income	d)	1	1
Derecognition of capitalised acquisition costs	c)	-70	-70
Total adjustment to profit or loss		**16**	**16**
Profit or loss under IFRS		**966**	**698**
Other comprehensive income			63
Total comprehensive income under IFRS			**761**

3.2.5 Effect of IFRS adoption for the consolidated statement of cash flows

In applying IFRS we have assessed the presentation of investments in securities which have been reclassified to investment activities. No other effects on the reported operating, investing or financing cash flows generated by the group have been identified.

3.2.6 Notes to the reconciliation of Danish GAAP and IFRS

a) In applying IFRS, revenue is presented gross hence excluding revenue related fees such as interchange fees, processing fees and other fees. These fees are recognised at cost. This change in presentation recognition does not impact EBITDA or total comprehensive income.

b) Applying IFRS, we have assessed the presentation of External expenses which now are reclassified as either Cost of sales or External expenses. This change does not impact EBITDA or total comprehensive income.

c) Acquisition-related costs related to the acquisition of Luottokunta OY on 1 November 2012 total DKK 70 million have been charged to external expenses in the consolidated income statements for the year ended 31 December 2012.

d) In applying IFRS actuarial losses from defined benefit plans are reclassified to other comprehensive income for 2012. This amounts to DKK 1 million. Tax effect of actuarial loss amounts to DKK 0 million.

e) Applying IFRS goodwill is tested for impairment, hence not amortised as by nature being an intangible assets with indefinite life. Therefore, previous goodwill amortisation of DKK 85 million has been reversed through the consolidated income statement.

f) In applying IFRS, we have assessed the presentation of gains and losses on disposal of assets. Gains and losses on disposal of assets are reclassified from Depreciation under previous GAAP to Other income and expenses under IFRS. This change in presentation does not impact EBITDA or total comprehensive income.

Note 4 Revenue

(DKKm)	2013	2012
Revenue		
Terminal revenue	786	700
Information and transaction services	7,478	6,339
Other services	422	397
Total	**8,686**	**7,436**
Cards	3,188	2,169
Payments, Information & eSecurity	2,738	2,600
Teller	1,727	1,722
Merchant Solutions	1,033	945
Total	**8,686**	**7,436**
Geographical breakdown of revenue:		
Denmark	3,838	3,681
Norway	2,662	2,701
Finland	1,443	336
Other countries	743	718
Total	**8,686**	**7,436**

The geographical breakdown of revenue is based on the location of the legal entities and branches in the group except for Cryptera A/S and Nets Card Processing A/S which is placed in other countries, as most revenue is outside Denmark. Other countries also includes activities in legal entities in Sweden and Estonia.

Note 5 Staff costs

(DKKm)	2013	2012
Staff costs		
Wages and salaries	1,704	1,542
Pensions - defined contribution plans	190	149
Pensions - defined benefit plans - reference note 15	5	7
Other social security contributions	121	129
Other employee costs	165	161
Total staff costs for the year	**2,185**	**1,988**
Employee costs included in development projects	10	-
Total staff costs expensed in the income statement	**2,175**	**1,988**
Actuarial losses recognised in other comprehensive income	13	1
Total staff costs expensed in the consolidated statement of comprehensive income	**2,188**	**1,989**
Average number of full-time employees	2,682	2,443
Year-end number of full-time employees	2,578	2,861

Remuneration to Executive Management, Group Management and Board of Directors

Remuneration to Executive Management and Group Management

(DKKm)		2013			2012	
	Executive management[1]	Group management[2]	**Total**	Executive management	Group management[2]	**Total**
Fixed base salary	7	13	20	7	10	17
Bonus	1	4	5	1	3	4
Pensions	1	1	2	1	1	2
Benefits	3	1	4	0	0	0
Total	**12**	**19**	**31**	**9**	**14**	**23**

[1] In 2013 staff costs to Executive Management include severance liabilities to former CFO.

[2] In 2013 Group Management consisted of 9 members (8 in 2012).

(DKKm)	2013	2012
Remuneration to Board of Directors	Fixed fee	Fixed fee
Fees to the members of the Board of directors	2	2
Total	**2**	**2**

Note 6 Other operating income and expenses

(DKKm)	2013	2012
Other operating income		
Gain on divestments of plant and equipment	7	2
Total	**7**	**2**
Other operating expenses		
Loss on divestments of plant and equipment	-11	0
Total	**-11**	**0**
Total, net	**-4**	**2**

Note 7 Depreciation, amortisation and impairment losses

(DKKm)	2013	2012
Depreciation, amortisation and impairment losses		
Depreciation	-189	-167
Amortisation	-252	-163
Impairment losses	-7	-6
Total	**-448**	**-336**

Note 8 Income and deferred income taxes

(DKKm)	2013	2012
Income taxes expensed		
Current tax on profit for the year	310	298
Deferred tax on profit for the year	-38	-30
Tax on profit for the year	**272**	**268**
Adjustments related to previous years - current tax	-1	-
Adjustments related to previous years - deferred tax	23	-
Income taxes in the Income statement	**294**	**268**

The tax on the group's profit 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:

(DKKm)	2013	2012
Profit before tax	907	966
Income tax expense calculated at Danish tax rate	227	241
Associated result reported net of tax	-2	-3
Effect of income that is exempt from taxation	-3	-2
Effect of expenses that are not deductible in determining taxable profit	22	10
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	19	9
Effect of different tax rates of subsidiaries operating in other jurisdictions	17	9
Effect on deferred tax related to previous years	23	-
Effect on current tax related to previous years	-1	3
Effect on deferred tax balances due to the change in income tax rates	-8	1
Income tax expense recognised in profit or loss	**294**	**268**

Note 8 Income and deferred income taxes (continued)

(DKKm)	2013	2012
Computation of effective tax rate percentage		
Statutory corporate income tax rate in Denmark	25	25
Deviation in foreign subsidiaries' tax rates compared with Danish tax rate (net)	2	1
Non-taxable income less non-taxdeductible expenses (net)	2	0
Adjustments related to previous years tax	2	1
Not recognised tax losses	2	1
Change in income tax rates on deferred tax	-1	-
Effective tax rate	**32**	**28**
Income taxes paid		
Income taxes paid in Denmark	150	187
Income taxes paid outside Denmark	115	136
Total income taxes paid	**265**	**323**
Development in deferred income tax assets and liabilities		
At the beginning of the year	-45	-87
Reclassification from Other liabilities	-	12
Deferred tax on profit for the year	38	30
Adjustment relating to previous years	-23	-
Deferred tax on items recognised in Other comprehensive income	4	-
Exchange rate adjustments	-13	-
Total deferred tax assets/(liabilities), net	**-39**	**-45**

Note 8 Income and deferred income taxes (continued)

(DKKm)	Intangible assets	Plant & equipment	Inventories	Other receivables	Employee benefits obligation	Total
Specification of deferred tax						
2013						
Net deferred tax asset/(liability) at 1 January	-131	85	2	-27	26	-45
Income/(charge) to the Income statement	37	-22	6	3	-9	15
Income/(charge) to Other comprehensive income	-	-	-	-	4	4
Exchange rate adjustment	-	-9	-1	0	-3	-13
Net deferred tax asset/ (liability) at 31 December	**-94**	**54**	**7**	**-24**	**18**	**-39**
Classified as follows:						
Deferred tax asset, 31 December						76
Deferred tax liability, 31 December						115
2012						
Net deferred tax asset/(liability) at 1 January	-232	118	2	-1	26	-87
Deferred tax from business aquisition	12	-	-		-	12
Income/(charge) to the Income statement	89	-33	-	-26	-	30
Net deferred tax asset/(liability) at 31 December	**-131**	**85**	**2**	**-27**	**26**	**-45**
Classified as follows:						
Deferred tax asset, 31 December						95
Deferred tax liability, 31 December						140

Unused tax losses not recognised
The aggregate unused tax losses of DKK 250m (In 2012 DKK 190m) are not recognised as it is considered unlikely that the tax losses will be realised in the future.

Other tax information
The Nets Group has in 2013 obtained approval from the Finnish tax authorities for deductibility of depreciation on intangible assets related to the acquisition of Nets Oy (former Luottokunta Oy) with an amount up to DKK 674m which has been applied as tax base in the computation of deferred tax. The ruling was at year end 2013 appealed by the Tax Recipients. However, in Management's opinion, the Nets Group is expected to win the appeal.

Un-distributed earnings are generally retained by subsidiaries for re-investments, hence no provision is made for income taxes that would be payable upon the distribution of such earnings unless a distribution of earnings is planned.

Note 9 Intangible assets

(DKKm)	2013					
		Other intangible assets				
	Goodwill	Customer agreements	Rights	Develop-ment projects	Develop-ment projects in progress	**Other intangibles**
Accumulated cost at 1 January	**1,524**	1,422	54	617	9	**2,102**
Transfers assets held for sale	**-190**	-28	-	-	-	**-28**
Additions through business combinations	**-**	-	-	19	-	**19**
Additions	**-**	-	1	168	-	**169**
Assets disposed of or fully amortised	**-**	-2	-	-	-	**-2**
Currency translation adjustment	**-86**	-25	-	-4	-	**-29**
Accumulated cost at 31 December	**1,248**	**1,367**	**55**	**800**	**9**	**2,231**
Accumulated amortisation and write-downs for impairment at 1 January	**-590**	-693	-53	-232	-	**-978**
Transfers assets held for sale	**-**	3	-	-	-	**3**
Amortisation	**-**	-106	-	-146	-	**-252**
Write-downs for impairment*	**-**	-	-	-	-7	**-7**
Assets disposed of or fully amortised	**-**	2	-	-	-	**2**
Currency translation adjustment	**61**	17	-	1	-	**18**
Accumulated amortisation and write-downs for impairment at 31 December	**-529**	**-777**	**-53**	**-377**	**-7**	**-1,214**
Carrying amount at 31 December	**719**	**590**	**2**	**423**	**2**	**1,017**

* Consists of write-downs for impairment for a development project due to a negative delveopment in forecasted revenue and earnings.

Note 9 Intangible assets (continued)

(DKKm)	2012					
		Other intangible assets				
	Goodwill	Customer agreements	Rights	Develop-ment projects	Develop-ment projects in progress	Other intangibles
Accumulated cost at 1 January	**990**	1,335	72	284	72	**1,763**
Reclassifications	**-**	18	-18	-	-	**-**
Additions through business combi-nations	**505**	64	-	255	-	**319**
Transfers of internal developments	**-**	-	-	66	-66	**-**
Additions	**-**	-	-	12	3	**15**
Assets disposed of or fully amor-tised	**-17**	-6	-	-	-	**-6**
Currency translation adjustment	**46**	11	-	-	-	**11**
Accumulated cost at 31 December	**1,524**	**1,422**	**54**	**617**	**9**	**2,102**
Accumulated amortisation and write-downs for impairment at 1 January	**-573**	-578	-60	-176	-	**-814**
Reclassifications	**-**	-7	7	-	-	**-**
Amortisation	**-**	-107	-1	-55	-	**-163**
Write-downs for impairment	**-6**	-	-	-	-	**-**
Assets disposed of or fully amortised	**16**	3	-	-	-	**3**
Currency translation adjustment	**-27**	-4	1	-1	-	**-4**
Accumulated amortisation and write-downs for impairment at 31 December	**-590**	**-693**	**-53**	**-232**	**-**	**-978**
Carrying amount at 31 December	**934**	**729**	**1**	**385**	**9**	**1,124**

(DKKm)	2013	2012
Development costs that have been recognised in the consolidated income statement	390	415

Impairment tests of goodwill

The carrying amount of goodwill is tested for impairment annually and if events or changes in circumstances indicate impairment. The tests were carried out end-2013.

The tests performed did not identify any impairment.

Note 9 Intangible assets (continued)

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

(DKKm)	2013	2012
Cash generating unit		
Cards	538	**744**
Merchant Solutions	93	**93**
Teller	79	**88**
Payment, Information & eSecurity	9	**9**

The recoverable amount of goodwill recognised is determined based on value in use calculations, which uses cash flow projections covering a four-year period incorporating the assumptions used in financial budgets, including expected impact from changes in business models, approved by Management. Cash flows beyond that four-year period have been extrapolated using a steady 2% per annum growth rate. Management believes that the growth rates are reasonable based on the products being developed, and any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

Discount rates used for impairment calculations are pre-tax and range from 7% to 10% for the individual cash generating unit to reflect differences in the businesses and risks. Discount rates are unchanged compared to 2012.

Cards
Consist of goodwill arising from the acquisition of Nets Oy (former Louttokunta Oy) in 2012, and goodwill related to the establishment of Nordito AS, which subsequently was merged into Nets Holding A/S in 2010. Goodwill has been tested at aggregated level due to the Business Unit Cards being considered as one CGU. The individual entities cannot be evaluated separately due to value added processes being generated across the Group, including synergies from combining operations, economies of scale, and future growth possibilities. At 31 December 2013 DKK 190 million has been transferred to Assets held-for-sale, as specified in note 26.

Merchant solutions
Consists mainly of goodwill related to the acquisition of activities in Denmark (Nets Merchant Solution A/S) and Finland (Nets Finland OY).

Teller
Consists mainly of goodwill related to the establishment of Nordito AS, which subsequently was merged into Nets Holding A/S in 2010. Goodwill also comprises goodwill related to the acquisition of American Express activities in Norway.

Payment, Information & eSecurity
Consists of goodwill related to the acquisition of NemID-activities.

Note 10 Plant and equipment

(DKKm)	2013				
	Leasehold improve-ments	Terminals	Plant and machinery	Fixtures, fittings and equipment	Total
Accumulated cost at 1 January	203	392	1,133	144	**1,872**
Additions through business combinations	-	-	-	-	**-**
Additions	12	100	37	8	**157**
Assets disposed of	-34	-173	-579	-94	**-880**
Currency translation adjustment	-17	-28	-92	-8	**-145**
Accumulated cost at 31 December	**164**	**291**	**499**	**50**	**1,004**
Accumulated depreciations and write-downs for impairment at 1 January	-115	-286	-960	-95	**-1,456**
Depreciation	-22	-77	-74	-16	**-189**
Assets disposed of	30	167	562	71	**830**
Currency translation adjustment	13	24	79	5	**121**
Accumulated depreciations and write-downs for impairment at 31 December	**-94**	**-172**	**-393**	**-35**	**-694**
Carrying amount at 31 December	**70**	**119**	**106**	**15**	**310**

(DKKm)	2012				
	Leasehold improve-ments	Terminals	Plant and machinery	Fixtures, fittings and equipment	Total
Accumulated cost at 1 January	173	-	1,038	410	**1,621**
Reclassifications	-	296	-14	-282	**-**
Additions through business combinations	8	16	34	-	**58**
Additions	14	74	47	19	**154**
Assets disposed of	0	-9	-34	-9	**-52**
Currency translation adjustment	8	15	62	6	**91**
Accumulated cost at 31 December	**203**	**392**	**1,133**	**144**	**1,872**
Accumulated depreciation and write-downs for impairment at 1 January	-91	-	-873	-301	**-1,265**
Transfers to/(from) other items	-	-226	6	220	**-**
Depreciation	-19	-55	-75	-18	**-167**
Assets disposed of	-	6	32	8	**46**
Currency translation adjustment	**-5**	-11	-50	-4	-70
Accumulated depreciation and write-downs for impairment at 31 December	**-115**	**-286**	**-960**	**-95**	**-1,456**
Carrying amount at 31 December	**88**	**106**	**173**	**49**	**416**

Terminals are leased by the Group to third-party merchants under operating leases. These operating leases are under various agreements which terminate between 2014 and 2016. The agreements include an extension option.

Note 11 Inventories

(DKKm)	2013	2012
Inventories		
Raw materials and supplies	15	18
Work in progress	12	17
Finished goods and merchandise	157	169
Total inventories (gross)	**184**	**203**
Inventory write-downs at year-end	-53	-19
Total inventories (net)	**131**	**184**
Movements in the inventory write downs		
Inventory write-downs at 1 January	-19	-9
Inventory write-downs during the year	-37	-10
Exchange rate differences	3	0
Inventory write-downs at 31 December	**-53**	**-19**

In 2013 write-downs of inventories to net realisable value amount to net DKK 37m (2012: DKK 10m) and are included in Cost of sales.

Note 12 Trade and other receivables

(DKKm)	2013	2012
Trade and other receivables		
Trade receivables	586	572
Allowances for doubtful debts	-9	-6
Trade receivables, net	**577**	**566**
Other receivables	50	46
Total	**627**	**612**
Allowances for doubtful debts at 1 January	-6	-1
Impairment losses	-6	-6
Reversals of impairment losses	3	-
Exchange rate adjustment	-	1
Allowances for doubtful debts at 31 December	**-9**	**-6**
Receivables past due but not impaired	43	51
Receivables past due but not impaired can be specified as follows:		
Receivables past due less than 6 months	27	30
Receivables past due between 6 and 12 months	14	10
Receivables past due more than 12 months	2	11
Total	**43**	**51**

Note 13 Trade and other payables

(DKKm)	2013	2012
Trade and other payables		
Trade payables	305	425
Prepayments from customers	61	23
Payables from associates	1	2
Other liabilities	754	683
Total	**1,121**	**1,133**
Other liabilities		
Employee costs payable	443	482
Other payables	276	164
VAT and duties payable	35	37
Total	**754**	**683**
Recognised as follows in the Balance sheet:		
Current liabilities	1,121	1,133
Total	**1,121**	**1,133**

Note 14 Provisions

(DKKm)	Provision for chargeback debtor	Provision for warranties	2013 Total	2012
Provisions at 1 January	7	-	**7**	10
Provisions made	-	4	**4**	-
Provisions used	-4	-	**-4**	-3
Reversal of unused provisions	-	-2	**-2**	-
Provisions at 31 December	**3**	**2**	**5**	**7**
Classified as follows:				
Non-current liabilities	3	1	**4**	7
Current liabilities	-	1	**1**	-
Total	**3**	**2**	**5**	**7**

Provision for chargeback debtor

Provision for chargeback debtor includes provisions for loss of fraud arising in the financial year where the case has not been resolved by 31 December.

Provision for warranties

Provision for warranties relates to guarantees on certain products.

Note 15 Pension assets and pension obligations, net

Pension assets and pension obligations

In a defined contribution plan, the Group pays fixed contributions to a third party on behalf of the employees and has no further obligations towards the employees. The benefits for the employees ultimately depend upon the third party's ability to generate returns.

In a defined benefit plan, members receive cash payments on retirement, the value of which depends on factors such as salary and length of service. Nets underwrites investments, mortality and inflation risks necessary to meet these obligations. In the event of poor returns, the Group needs to address this through increased levels of contribution. Nets has defined benefit plans in Norway and Finland, although the plan in Finland only covers one person.

The Group has a collective defined benefit plan in Norway through Statens Pensionskasse (SPK).

Specification of pensions Income/(costs)

(DKKm)	2013	2012
Service cost recognised in Wages, salaries and pension costs	3	3
Interest expenses	2	4
Pension costs recognised in the Income statements under staff costs	**5**	**7**
Actuarial losses recognised in the consolidated statement of comprehensive income	**13**	**1**

The Group does not expect the contributions over the next year to differ significantly from current contributions.

Note 15 Pension assets and pension obligations, net (continued)

Assets and obligations

(DKKm)	2013	2012
Assets and obligations		
Specification of pensions		
Fair value of plan assets	77	100
Projected benefit obligations	148	198
Pension liability recognised in the Balance sheets	**-71**	**-98**
Change in present value of benefit obligations		
Projected benefit obligations at 1 January	198	208
Additions through business combinations	-	4
Current service costs	3	3
Interest expenses	2	4
Actuarial gains/(losses) from demographic assumptions	34	-4
Actuarial gains/(losses) from economic assumptions	-38	6
Benefits paid	-26	-25
Exchange rate adjustments	-25	3
Other	-	-1
Projected benefit obligations at 31 December	**148**	**198**
Change in fair value of plan assets		
Fair value of plan assets at 1 January	100	96
Interest income	2	4
Return on plan assets excluding interest income	-17	4
Nets' contributions	9	5
Benefit paid to employees	-6	-12
Exchange rate adjustments	-11	3
Fair value of plan assets at 31 December	**77**	**100**
Change in pension assets/(obligations) recognised in the Balance sheets		
Pension liability recognised in the Balance sheets at 1 January	-98	-111
Pension (costs)/income recognised in the Income statements	5	7
Actuarial loss on projected benefit obligations and plan assets recognised in other comprehensive income	13	1
Nets' contribution	9	5
Pension assets/(obligations) recognised in the Balance sheets at 31 December	**-71**	**-98**

Note 15 Pension assets and pension obligations, net (continued)

Weighted average asset allocation by asset categories

	2013		2012	
	DKKm	%	DKKm	%
Shares	5	6.8%	10	10.2%
Bonds	40	52.2%	52	52.1%
Properties	11	14.3%	19	18.6%
Cash products	17	22.0%	18	17.5%
Other investments	4	4.7%	1	1.6%
Total	**77**	**100.0%**	**100**	**100.0%**

Assumptions used for valuation	2013	2012
%		
Discount rate	4.1%	2.2%
Expect return on pension funds	4.1%	2.2%
General wage inflation	3.8%	3.3%
General price inflation	3.5%	3.0%
Expected regulation of minimum payment	2.8%	2.3%

The actuarial assumptions used for the valuation of the pension obligation are based on regular used assumptions within insurance for demografic factors. Nets has used the assumptions according to the guidance from the The Norwegian Accounting Standards Board (NASB), as these reflects Nets expectations to annual wage and price inflation.

Nets has used a mortality rate in accordance with the Norwegian K2005 table. Overall an expected lifetime after retirement at age 65, is 18,1 years for men and 21,1 for women.

Sensitivity analysis

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

Note 15 Pension assets and pension obligations, net (continued)

Projected defined benefit obligation at 31 December 2013

(DKKm)	
Reported defined benefit obligation	148
Discount rate sensitivity	
5.1% (assumption +1.0%)	-19
3.1% (assumption -1.0%)	23
General wage inflation	
4.8% (assumption +1.0%)	10
2.8% (assumption -1.0%)	-9
Expected regulation of minimum payment	
3.8% (assumption +1.0%)	16
1.8% (assumption -1.0%)	-13

Expected maturity of projected benefit losses

(DKKm)	2013	2012
Within 1 year	8	9
1 - 5 years	20	23
Beyond 5 years	120	166
Total	**148**	**198**

Experience gains and losses

(DKKm)/%	2013	2012
Gains/(loss) on plan assets		
Gains on plan assets	2	4
% of fair value of plan assets at 31 December	2.5%	3.6%

Note 16 Share capital

	2013		2012	
	Shares (numbers in millions)	Nominal value (DKKm)	Shares (numbers in millions)	Nominal value (DKKm)
Share capital				
Holding at 1 January	184	184	184	184
Holding at 31 December	**184**	**184**	**184**	**184**

The share capital was established at 1 January 2009 through the merger between PBS Holding A/S and Nordito AS. There has been no changes to the share capital since the merger.

Dividend

At the end of 2013, proposed divided (not yet declared) of DKK 498 million is included in Retained earnings. The declared dividend included in Retained earnings was DKK 498.

Note 17 Borrowings

(DKKm)	2013	2012
Bank loans	988	981
Bank overdrafts	480	220
Total	**1,468**	**1,201**
Recognised as follows in the Balance sheets:		
Non-current liabilities	988	981
Current liabilities	480	220
Total	**1,468**	**1,201**
The debt is denominated in the following currencies:		
DKK	1,451	1,185
NOK	17	-
EUR	-	16
Total	**1,468**	**1,201**
Long-term loans fall due as follows:		
1-3 years	988	981
Total	**988**	**981**

The carrying amounts and nominel value of bank loans and overdraft are as follows:

(DKKm)	2013		2012	
	Carrying value	Nominal value	Carrying value	Nominal value
Bank loans	988	1,000	981	1,000
Bank overdrafts	480	480	220	220
Total	**1,468**	**1,480**	**1,201**	**1,220**

Note 18 Financial risks

18.1 Capital management

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

Within the Group, certain subsidiaries are registered as payment institutions in Denmark (Nets Denmark A/S and Teller A/S), Norway (Teller AS) and in Finland (Nets OY), and therefore such subsidiaries are subject to minimum capital requirements by local authorities.

18.2 Financial risk management

The Group has established procedures within the business in securing co-ordinated access to domestic and international financial markets as well as monitoring and managing the financial risks relating to the operations of the Group. These risks include market risk (including interest rate risk and currency risk), liquidity risk, financing risk and credit risk. The Group's activities are exposed primarily to the financial risks of changes in interest rates (see note 18.2.1) and foreign currency exchange rates (see note 18.2.2).

The Group pursues overall policies and practices approved by the Board of Directors.

The Group seeks to minimise the effects of these risks by managing the FX exposure on a continuous basis, primarily by adjusting the cash positions and cash flows based on projected needs and historical trends. The interest risk is structurally hedged by having both debt and assets with variable interest rate. Established practices and the exposure limits are reviewed by Group Management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Liquidity and funding risk is managed on a daily basis.

The Group has established an internal reporting structure that ensures reporting to Group Management on a continuous basis. This is to monitor risks and policies implemented to mitigate risk exposures.

There have been no significant change to the Group's exposure to risks of its financial risk management policies compared to 2012.

Note 18 Financial risks (continued)

(DKKm)

Financial assets and liabilities	Fair value through income statement	Loans and receivables	Cash and cash equivalents	Financial liabilities measured at amortised cost	**Total**
2013					
Trade and other receivables	-	627	-	-	**627**
Receivable from cardholders	-	1,205	-	-	**1,205**
Settlement assets	-	3,832	-	-	**3,832**
Securities	585	-	-	-	**585**
Cash at bank and on hand	-	-	2,374	-	**2,374**
Financial assets held-for-sale	-	377	-	-	**377**
Borrowings	-	-	-	-1,468	**-1,468**
Trade and other payables	-	-	-	-1,121	**-1,121**
Merchant creditors	-	-3,382	-	-	**-3,382**
Settlement obligations	-	-2,503	-	-	**-2,503**
Liabilities associated with financial assets held-for-sale	-	-2	-	-	**-2**
Total net financial assets as the end of the year by category	**585**	**154**	**2,374**	**-2,589**	**524**
2012					
Trade and other receivables	-	612	-	-	**612**
Receivable from cardholders	-	1,954	-	-	**1,954**
Settlement assets	-	4,324	-	-	**4,324**
Securities	715	-	-	-	**715**
Cash at bank and on hand	-	-	1,760	-	**1,760**
Borrowings	-	-	-	-1,201	**-1,201**
Trade and other payables	-	-	-	-1,133	**-1,133**
Merchant creditors	-	-4,238	-	-	**-4,238**
Settlement obligations	-	-2,496	-	-	**-2,496**
Total net financial assets as the end of the year by category	**715**	**156**	**1,760**	**-2,334**	**297**

Fair value measurement hierarchy

The carrying values and fair values are identical, except for the bank loans measured at amortised cost. Refer to note 17 for carrying amounts and nominal value of bank loans. Fair value of bank loans are assumed similar to the nominal value.

The methods and assumptions used in measuring the Group's financial assets and liabilities at fair value are un-changed from 2012. The methods and assumptions are as follows:

- the fair value of financial assets traded in active markets is based on quoted market prices at the balance sheet date (level 1);
- financial liabilities with variable interest rates, e.g. bank loans, are measured at par; and
- financial assets and liabilities which are highly liquid and have a short duration are estimated to have a fair value that are identical with the book value.

Note 18 Financial risks (continued)

18.2.1 Interest rate 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 basis interest rates. Cash held at variable rates partly offsets risk arising from changing interest rates on the Group's loans and credits.
Therefore, the Group has a relatively low interest rate exposure, hence no interest rate hedging has been established.

(DKKm)	2013		
Exposure to changes in interest rates	Variable, non-con-tractual	"Contrac-tual variable rates < 1 month	**Total**
Securities	507	-	507
Cash on hand	2,374	-	2,374
Bank loans	-	-1,000	-1,000
Bank overdraft	-480	-	-480
Net	**2,401**	**-1,000**	**1,401**

18.2.2 Foreign currency risk management

The Group operates predominantly in Northern Europe, hence it is primarily exposed to exchange-rate risks from NOK and SEK, and to a minor degree USD, GBP and ISK. EUR based exposure is not considered a risk, since the de-facto fix rate policy the Danish Central Bank has maintained since the beginning of the Euro currency. The Group has only a minor exposure to other than the above mentioned currencies.

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

Business activities
The exchange-rate exposure from the business activities relates principally to profits for the year generated in foreign subsidiaries, as income and expenses generated in these entities are denominated in primarily local currencies.

Furthermore, there is exchange-rate exposure associated with settlement assets and settlement obligations; however, the exposure is limited as cards transactions are generally executed and settled in the same currency and in the same timeframe.

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

- Investments in subsidiaries - the Group holds investments in several subsidiaries in foreign currency. The exchange-rate risk to NOK and SEK is considered to be of material nature.
- Receivable from cardholders - relates predominantly to co-issuing card activities in Finland. There is a natural hedge in respect of the outstanding balances and incoming cash flows.
- Investments in securities - the Group holds investments in highly liquid marketable securities. These investments can be called and realised within few days, hence long term exchange-rate exposure can be avoided.
- Cash at bank - the Group has cash at bank which is in different currency relevant to underlying card clearing structure. The Group's own cash balances in other currencies are not been hedged.

Note 18 Financial risks (continued)

Exchange rate DKK per 100%	2013			2012		
Key currencies	NOK	SEK	EUR	NOK	SEK	EUR
Average	95.69	86.24	745.80	99.62	85.62	744.38
End of year	88.54	83.56	746.03	101.67	87.14	746.04
Year-end change	-12.9	-4.1	0.0	6.0	4.5	0.4

(DKKm) *Exposure of balances in foreign currency*	Cash and cash equivalents	Securities	Receiv-ables[1]	Borrowings	Liabilities[2]	**Net**
NOK	1,287	248	532	-17	-1,902	**148**
SEK	0	-	806	-	-306	**500**
EUR	925	24	1,995	-	-2,021	**923**
Other	52	-	39	-	-1	**90**
2013	**2,264**	**272**	**3,372**	**-17**	**-4,230**	**1,661**
NOK	675	262	1,209	-	-1,966	**180**
SEK	47	-	548	-148	-165	**282**
EUR	966	171	2,989	-16	-2,843	**1,267**
Other	29	-	26	-	-1	**54**
2012	**1,717**	**433**	**4,772**	**-164**	**-4,975**	**1,783**

[1] Receivables include settlement assets and cardholder related balances.

[2] Liabilities include settlement obligations, cardholder related balance and merchant creditor.

Large part of the balances in foreign currency are naturally hedged by the underlying business activities.

Foreign exchange sensitivity analysis
A 10% increase/decrease in the following currencies will impact the Group's operating profit at 31 December as outlined in the table below:

(DKKm)	**2013**	**2012**
	Operating profit	
NOK	1	2
SEK	5	3
Other (excluding EUR)	1	1

The foreign exchange sensitivities in 2013 and 2012 are calculated based on a 10% currency increase/decrease in net balances in foreign currency as at 31 December. These balances may not be representative at each reporting period-end, as settlement assets and settlement obligations are driven by volumes and closing dates.

Note 18 Financial risks (continued)

18.2.3 Liquidity and financing risk management

Liquidity management is executed on an on-going basis, ensuring availability of required liquidity and longer term funding of the Group by cash management, and maintaining adequate reserves at any time through a combination of readily available cash, liquid investment portfolios and uncommitted as well as committed credit facilities. Nets 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 material part of the Group's liquidity positions relates to its settlement activities (Settlement Cash). The Group is committed to ensuring 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 both significant increase in cash balances or significant decrease in cash balances. Liquidity risks only incur when merchants are remitted prior to funds being received; however, the settlements are performed normally within few days.

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

The Group's co-issuing business has a longer-term settlement cycle where card schemes, merchants and local banks are settled live and before funds received from cardholders. Funds from cardholders are received once a month. This results in significant decrease in cash balances over the period until cardholders pay in. However due to the nature of the business the daily swings are moderate.

Note 18 Financial risks (continued)

Maturity analysis

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

(DKKm)	Less than 1 month	1 month - 3 months	3 months - 12 months	1 year - 5 years	Total
2013					
Trade and other receivables	442	112	73	-	**627**
Receivable from cardholders	542	266	397	-	**1,205**
Settlement assets	3,832	-	-	-	**3,832**
Securities	585	-	-	-	**585**
Financial assets held-for-sale	128	249	-	-	**377**
Total assets at the end of the year by maturity	**5,529**	**627**	**470**	**-**	**6,626**
Borrowings	-468	-9	-26	-1,038	**-1,541**
Trade and other payables	-357	-142	-622	-	**-1,121**
Merchant creditors	-3,382	-	-	-	**-3,382**
Settlement obligations	-2,503	-	-	-	**-2,503**
Liabilities associated with financial assets held-for-sale	-2	-	-	-	**-2**
Total liabilities at the end of the year by maturity	**-6,712**	**-151**	**-648**	**-1,038**	**-8,549**
2012					
Trade and other receivables	431	109	72	-	**612**
Receivable from cardholders	879	430	645	-	**1,954**
Settlement assets	4,324	-	-	-	**4,324**
Securities	715	-	-	-	**715**
Total assets at the end of the year by maturity	**6,349**	**539**	**717**	**-**	**7,605**
Borrowings	-201	-9	-28	-1,067	**-1,305**
Trade and other payables	-445	-152	-536	-	**-1,133**
Merchant creditors	-4,238	-	-	-	**-4,238**
Settlement obligations	-2,496	-	-	-	**-2,496**
Total liabilities at the end of the year by maturity	**-7,380**	**-161**	**-564**	**-1,067**	**-9,172**

The maturity analysis is based on undiscounted cash flows, including estimated interests. Interests are included based on current rates. Operating lease obligations are disclosed in note 24.

Note 18 Financial risks (continued)

18.2.4 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 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 the 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 chargeback 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.

The Group is also exposed to credit risks related to trade receivables although considered minimal as the base consist of a large number of customers and merchants, spread across diverse industries and geographical areas, which minimises the credit risks. Reference about overdue receivables are made to note 12.

Nets Group is also exposed to credit risk through the Co-Issuing model that the subsidiary Nets Oy is running in Finland with 4 banks. In this business model, Nets Oy is exposed to the banks' private clients non-payment of credit card debt and a subsequent prolonged debt-collection process.

Note 19 Cash and cash equivalents

(DKKm)	2013	2012
Cash and cash equivalents		
Cash at bank and on hand	2,374	1,760
Cash and cash equivalents at the end of the year	**2,374**	**1,760**
Borrowings, current	-480	-220
Net cash and cash equivalents at the end of the year	**1,894**	**1,540**
Securities - highly liquid	585	715
Cash at bank and securities available for short-term cash management	**2,479**	**2,255**
Restricted cash included in cash at bank and on hand	39	

The Danish and Swedish companies in the Nets Group, except Nets Denmark Merchant Solutions A/S (2012 only), Cryptera A/S, Nets Cards Processing A/S and Netaxept AB, have entered into cash pool arrangements for activities in Denmark and Sweden. Total bank debt amounted to DKK 464 million on 31 December 2013 (2012: DKK 204 million).

Note 20 Change in narrow working capital

(DKKm)	2013	2012
Change in narrow working capital		
Inventory	17	-20
Trade and other receivables	-11	71
Prepayments	-26	-
Provisions	-	-2
Trade and other payables	-33	122
Deferred income	-2	-28
Total change in narrow working capital	**-55**	**143**

Note 21 Investment in associates

(DKKm)	2013	2012
Investment in associates		
Accumulated cost at 1 January	60	84
Disposals during the year	-	-24
Accumulated cost at 31 December	**60**	**60**
Revaluation at 1 January	-28	-32
Adjustment previous year	-	-1
Share of profit after tax	9	11
Depreciation on rights acquired	-3	-3
Exchange differences	-1	-
Gain from sale of associate	-	23
Disposal	-	-14
Dividends distributed	-15	-12
Revaluation at 31 December	**-38**	**-28**
Carrying amount at 31 December	**22**	**32**
Rights included in carrying amount at 31 December	1	4

Note 21 Investment in associates (continued)

(DKKm)							
2013						Nets' share	
Company name	Share	Currency	Revenue	Profit for the year	Net assets	Equity	Profit for the year
E-Boks A/S	50%	DKK	107	18	42	21	9
Total			**107**	**18**	**42**	**21**	**9**

(DKKm)							
2012						Nets' share	
Company name	Share	Currency	Revenue	Profit for the year	Net assets	Equity	Profit for the year
E-Boks A/S	50%	DKK	101	17	56	28	8
Total			**101**	**17**	**56**	**28**	**8**

In 2012 share of profit after tax also included investment in ACOS AS of DKK 3 million. The investment was disposed in 2012.

Note 22 Net financials

(DKKm)	2013	2012
Financial income		
Net foreign exchange gains	5	44
Capital gains, other securities and investments	-	138
Financial income from securities	48	9
Interest income on short-term bank deposits	13	8
Interest income from Co-issuing activities	45	8
Total financial income	**111**	**207**
Financial expenses		
Interest expense on bank loans	38	7
Fair value adjustment of financial liabilities	30	-
Amortisation of transaction costs	7	1
Other fees etc.	11	4
Total financial expenses	**86**	**12**
Net financials	**25**	**195**

In 2012 net foreign exchange gain included currency adjustments of securities held in Danske Capital. These are in 2013 included under financial income from securities.

Note 23 Other non-cash items

(DKKm)	2013	2012
Other non-cash items		
Inventory write-down	37	10
Trade and other receivables write-down etc.	3	6
Total adjustments for other non-cash items	**40**	**16**

Note 24 Commitments and contingencies

Commitments

The total contractual obligations as at 31 December 2013 can be specified as follows:

(DKKm)	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Operating leases	106	198	154	52	**510**
Total contractual obligations	**106**	**198**	**154**	**52**	**510**

The total contractual obligations as at 31 December 2012 can be specified as follows:

(DKKm)	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Operating leases	105	205	176	99	**585**
Total contractual obligations	**105**	**205**	**176**	**99**	**585**

Operating lease commitments are related to non-cancellable operating leases primarily related to premises, cars and office equipment. The lease cost for 2013 and 2012 were DKK 105 million and DKK 75 million, respectively.

The Group has entered into a number of long-term service agreements. The Group expects to fund these commitments with existing cash and cash flow from operations.

(DKKm)	2013	2012
Other guarantees	0	0
Other guarantees primarily relate to guarantees issued by Nets Group in relation to rented properies.		

Contingencies

The group is engaged in certain litigation proceedings. In the opinion of Mangement, settlemetn or continuation of these proceedings is not expected to have a material effect on Nets Groups financial position, operating profit or cash flow.

Note 25 Business combinations

2013

Nets Group has entered into a finance agreement to provide a convertible loan to Idé til Produkt AS. At the same time Nets Group has entered into a Sale and purchase agreement to acquire shares in the company through the execution of a right to convert the convertible loan to shares. This gives Nets Group the power to govern (control) the company. The company is consolidated with effect from 31 December 2013.

2012

As of 1 November 2012, Nets finalized the acquisition of the 100% of the share capital of Luottokunta for DKK 1,330 million, not including contingent considerations of DKK 30 million related to a possible advance tax ruling which as of the acquisition date was assumed not-likely to be paid and therefore not included in the total consideration. Luottokunta is Finland's leading provider of card payment services. It develops and provides card payment solutions for banking as well as for merchants and corporate customers. As a result of the acquisition, the Group has achieved a solid position in the Finnish market. Secondly, the acquisition is an important part of the strategy to position Nets as one of the leading European providers of payment, information and security solutions.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

(DKKm)	2013	2012
Cash	-	1,330
Total consideration transferred	**-**	**1,330**
Recognised amounts of identifiable assets acquired and liabilities assumed		
Development projects (included in intangible assets)	19	255
Customer relationship	-	64
Leasehold improvements	-	8
Plant and machinery	-	50
Trade and other receivables	5	112
Receivable from cardholders	-	2,052
Settlement assets	-	334
Cash at bank and on hand	7	310
Deferred tax	1	6
Pension liabilities, net	-	-4
Convertible loan	-11	-
Credit institutions	-3	-265
Trade and other payables	-3	-173
Merchant creditors	-	-1,332
Settlement obligations	-	-10
Prepayments from cardholders	-	-582
Total identifiable net assets	**15**	**825**
Non-controlling interest	-15	-
Goodwil[1]	**-**	**505**
Total	**-**	**1,330**

[1] Includes adjustments in the measurement period related to defered tax in regards to the applied advanded tax ruling, as mentioned in note 8, resulting in an adjustment in goodwill of DKK 31 million.

Note 25 Business combinations (continued)

The goodwill of DKK 505 million arising from the acquisition is mainly attributable to expected synergies from combining the operations including economies of scale, future growth possiblities and employees at Luottokunta etc. Goodwill is related to the business unit Cards.

The revenue included in the consolidated statement of comprehensive income in 2012 contributed by Luottokunta amounted to DKK 231 million, and the contributed loss amounted to DKK 14 million.

Had Luottokunta been consolidated from 1 January 2012, the consolidated statement of comprehensive income would have shown a pro-forma revenue of DKK 8,645 million and a profit of DKK 756 million. Pro-forma figures are based on the following significant assumptions:

- Depreciations and amortisations on tangibles and intangibles assets have been calculated based on carrying amounts in the opening balance sheet instead of the carrying amounts before the acquisition.
- Financial costs have been calculated based on the funding structure in Nets after the acquisition.

Note 26 Assets held-for-sale

Assets and liabilities related to Prepaid (only card business) and Eurocard-activities have been presented as Assets held for sale and Liabilities held for sale, as assets purchase agreements was entered into end-2013 with completion date on the 8 January 2014 and 1 April 2014, respectively.

(DKKm)	2013	2012
Assets held for sale		
Goodwill	190	-
Other intangible assets (customer agreements)	25	-
Trade and other receivables	5	-
Receivables from cardholders	372	-
Total	**592**	**-**
Liabilities associated with assets held for sale		
Trade and other payables	3	-
Prepayments from cardholders	50	-
Total	**53**	**-**

Note 27 Related party transactions

Nets Group has no related parties exercising control in the Group.

There have not been any transactions with the CEO, Group Management or the Board of Directors of the Nets Group, other than remuneration. For information on remuneration to the Management, please refer to "Remuneration to Executive Management and Board of Directors" in note 5. There have not been loans to the Board of Directors or Executive Management in 2013 or 2012.

Other related parties are considered to be e-Boks A/S an associated company to the Group. Transaction comprises mainly administrative services of approximately DKK 15 million (2012: DKK 18 million). For balances at year-end, reference is made to note 13.

Note 28 Fee to statutory auditors

(DKKm)	2013	2012
Remuneration to Auditors (KPMG as elected by the Annual General Meeting)		
Statutory audit	**5**	**6**
Non-statutory audit services:		
Other assurance engagements	4	4
Tax advisory services	1	5
Other services *	13	16
Total non-statutory audit services	**18**	**25**
Total	**23**	**31**

* Other services mainly comprise services related to merger and acquisition activities.

Note 29 Events after the balance sheet date

No significant events with effect to the annual report of 2013, have occurred subsequent to 31 December 2013.

Note 30 Companies in the Group

Company	Structure	Currency	Ownership
Parent company			
Nets Holding A/S	Parent	DKK	-
Denmark			
Nets Denmark A/S[1]	Subsidiary	DKK	100%
Nets DanID A/S	Subsidiary	DKK	100%
Nets Cards Processing A/S	Subsidiary	DKK	100%
Teller A/S	Subsidiary	DKK	100%
Teller Services ApS	Subsidiary	DKK	100%
Cryptera A/S	Subsidiary	DKK	100%
E-Boks A/S	Associate	DKK	50%
Norway			
Nets Norway AS	Subsidiary	NOK	100%
Nets Norge Infrastruktur AS	Subsidiary	NOK	100%
Bank Axept AS	Subsidiary	NOK	100%
Nets Digitalprint AS	Subsidiary	NOK	100%
Teller AS	Subsidiary	NOK	100%
Visa Norge AS	Subsidiary	NOK	100%
Idé til Produkt AS[2]	Subsidiary	NOK	0%
Sweden			
Nets Sweden AB	Subsidiary	SEK	100%
NetAxept AB	Subsidiary	SEK	100%
Finland			
Nets Oy	Subsidiary	EUR	100%
Nets Finland Oy	Subsidiary	EUR	100%
Other countries			
Nets Estonia AS	Subsidiary	EUR	100%

[1] The following companies have been merged with Nets Denmark A/S as at 1 January 2013:

- Nets Denmark Merchant Solutions A/S
- Axept AS
- ZebSign AS
- Bankenes Betalingssentral Eiendom AS
- Nets eSecurity AS

[2] Nets Group has entered into arrangements with Idé til Produkt AS which grants Nets Group the power to govern (control) the company. The company is consolidated as at 31 December 2013. Refer to note 25.

Financial statements of the Parent Company

Income statement for the Parent Company

(DKKm)	Note	2013	2012
Revenue	2	464	790
External expenses	3	-64	-9
Staff costs	4	-475	-791
Operating profit (EBIT)		**-75**	**-10**
Profit from subsidiaries after tax	5	618	701
Financial income	6	1	7
Financial expenses	6	-91	-20
Net financials		**-90**	**-13**
Profit before tax		**453**	**678**
Income taxes	7	19	4
Net profit for the year		**472**	**682**
Proposed profit appropriation:			
Proposed dividends		498	498
Net revaluation according to the equity method		53	-571
Retained earnings		-79	755
Total appropriation		**472**	**682**

Balance sheet for the Parent Company

(DKKm)	Note	2013	2012
Assets			
Non-current assets			
Other intangible assets	8	1	-
Investment in subsidiaries	5	4,209	4,932
Total non-current assets		**4,210**	**4,932**
Current assets			
Group enterprises		2,293	398
Corporation tax	7	-	16
Other receivables		2	10
Prepayments	9	1	51
Cash and cash equivalents		3	2
Total current assets		**2,299**	**477**
Total assets		**6,509**	**5,409**
Equity and liabilities			
Equity			
Share capital		184	184
Net revaluation according to the equity method		510	597
Retained earnings		961	1,040
Proposed dividends		498	498
Total equity		**2,153**	**2,319**
Non-current liabilities			
Borrowings		988	981
Total non-currenct liabilities		**988**	**981**
Current liabilities			
Borrowings		466	204
Trade payables etc.		56	31
Group enterprises		2,809	1,704
Corporation tax	7	28	-
Other payables	10	9	170
Total currenct liabilities		**3,368**	**2,109**
Total liabilities other than provisions		**4,356**	**3,090**
Total equity and liabilities		**6,509**	**5,409**
Contingent liabilities	11		
Related party transactions	12		

Statement of changes in equity for the Parent Company

(DKKm)	Share capital	Net revaluation according to the equity method	Retained earnings	Dividends	Total equity
2013					
Equity 1 January	184	597	1,040	498	**2,319**
Currency translation adjustment etc.	-	-140	-	-	**-140**
Distributed dividends	-	-	-	-498	**-498**
Retained earnings, cf. profit appropriation	-	53	-79	498	**472**
Equity 31 December	**184**	**510**	**961**	**498**	**2,153**
2012					
Equity 1 January	184	1,104	285	498	**2,071**
Currency translation adjustment etc.	-	64	-	-	**64**
Distributed dividends	-	-	-	-498	**-498**
Retained earnings, cf. profit appropriation	-	-571	755	498	**682**
Equity 31 December	**184**	**597**	**1,040**	**498**	**2,319**

The share capital was established on 1 January 2009 through a merger of PBS Holding A/S and Nordito AS.
There have been no changes in the share capital since the merger.

Notes to financial statements of the Parent Company

Note 1 Accounting policies

The financial statements of the parent company have been prepared in accordance with the Danish Financial Statements Act (Large Class C).

The accounting policies for the financial statements of the Parent are the same as for the consolidated financial statements with the following additions. For a description of the accounting policies of the Group, please refer to Note 1 in the Consolidated financial statements.

Supplementary accounting policies for the parent company

Financial assets
In the financial statements of the parent company, investment in subsidiaries and associated companies are recorded under the equity method, which is at the respective share of the net asset values in subsidiaries and associated companies. Any cost in excess of net assets in the acquired company is capitalised in the parent company under Financial assets as part of investments in subsidiaries ('Goodwill & other intangible assets'). Amortisation of goodwill is provided under the straight-line method over a period of 5-10 years.

Net profit of subsidiaries less unrealised intra-Group profits is recorded in the income statement of the parent company.
Profits in subsidiaries are disclosed as profit after tax.

Tax
For Danish tax purposes, the Parent is assessed jointly with its Danish subsidiaries. The Danish jointly taxed companies are included in a Danish on-account tax payment scheme for Danish corporate income tax. All current taxes under the scheme are recorded in the individual companies.

Statement of cash flows
No separate statement of cash flows has been prepared for the Parent; please refer to the Consolidated statement of cash flows.

Note 2 Revenue

(DKKm)	2013	2012
Group services (wages and salaries etc.)	464	790
	464	**790**
Geographical breakdown of revenue:		
Denmark	464	790
	464	**790**

Note 3 Fees to statutory auditor as elected by the Annual General Meeting

(DKKm)	2013	2012
Statutory audit	1	1
Tax advisory services	2	4
Other services	10	11
	13	**16**

Other services mainly comprises services related to merger and acquisition activities.
In 2012 costs also include costs capitalised as part of acquisitions.

Note 4 Staff costs

(DKKm)	2013	2012
Total staff costs are specified as follows:		
Wages and salaries	374	672
Pension contributions plans	32	56
Other social security contributions	8	14
Other employee costs	61	49
	475	**791**

In 2012 and first half of 2013 the Danish companies in the Group, except Cryptera A/S, shared employees who were employed predominantly by Nets Holding A/S. Wages, salaries and pension costs were allocated between the consolidated companies in accordance with a cost allocation base. Employees of foreign companies were employed by the foreign companies.

For information regarding remuneration to the Board of Directors and the Executive Management. Please refer to note 5 in the consolidated financial statements.

	2013	2012
Average number of full-time employees	488	943
Number of full-time employees year-end	8	967

Note 5 Investment in subsidiaries

(DKKm)	2013	2012
Accumulated cost as at 1 January	3,153	1,863
Additions	-	1,400
Disposals	-	-110
Cost as at 31 December	**3,153**	**3,153**
Value adjustment as at 1 January	1,779	1,574
Dividends received	-1,201	-636
Net profit for the year	618	701
Disposals	-	76
Currency translation adjustment	-140	64
Value adjustment as at 31 December	**1,056**	**1,779**
Carrying amount as at 31 December	**4,209**	**4,932**

Note 6 Net financials

(DKKm)	2013	2012
Financial income		
Group enterprises	1	1
Currency translation adjustment, net	-	3
Other interest income	-	3
Total financial income	**1**	**7**
Financial expenses		
Group enterprises	8	13
Currency translation adjustment, net	4	-
Fair value adjustments of financial liabilities	30	-
Interest expenses on bank loans	38	6
Amortisation of transaction cost	7	1
Other fees etc.	4	-
Total financial expenses	**91**	**20**
Net financials	**-90**	**-13**

Note 7 Tax

(DKKm)	2013	2012
Current tax	-19	-4
Total	**-19**	**-4**
Tax payable as at 1 January	-16	5
Tax paid for previous year, net	16	-5
Tax paid on account	-133	-187
Joint taxation	179	175
Tax for the year	-19	-4
Interest addition	1	-
Tax payable as at 31 December	**28**	**-16**
Tax is included in the following items:		
Tax receivables	-	16
Tax payables	28	-

Note 8 Other intangible assets

(DKKm)	2013	2012
Accumulated cost as at 1 January	-	-
Additions	1	-
Cost as at 31 December	**1**	**-**
Amortisation as at 1 January	-	-
Amortisation for the year	0	-
Amortisation as at 31 December	**-**	**-**
Carrying amount as at 31 December	**1**	**-**

Note 9 Prepayments

(DKKm)	2013	2012
Wages, salaries, etc.	1	51
	1	**51**

Note 10 Other payables

(DKKm)	2013	2012
Employee costs payable	8	170
Other payables	1	-
	9	**170**

Note 11 Contingent liabilities

Nets Holding A/S and its Danish subsidiaries are jointly taxed with the Danish companies in the Nets Holding A/S Group. The joint taxation also covers withholding taxes in the form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and individually liable for the joint taxation. Any subsequent adjustments to income taxes and withholding taxes may lead to a larger liability. The tax for the individual companies is allocated in full on the basis of the expected taxable income.

Nets Holding A/S is included under joint registration with the Danish companies and is in that respect liable for any VAT in the Nets Holding A/S Group, apart from Nets DanID A/S.

For information on pending litigation and other contingencies, please refer to note 24 in the consolidated financial statements.

Note 12 Related party transactions

For information on transactions with related parties, please refer to note 27 in the consolidated financial statements.

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