nets

Nets Holding A/S

Annual Report

2014

ABOUT NETS

Nets specialises in managing digital values through the delivery of strategic consulting and IT solutions. We enable a more efficient society and optimise our customers' business through the way we handle money, information and identities digitally. We have one of the most extensive product portfolios in Europe and our ambition is to become an even stronger partner for our customers by supporting their business, nationally as well as internationally. Nets has more than 2,600 employees in Denmark, Norway, Finland, Sweden and Estonia.

Find out more about us at www.nets.eu.

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Chairman's statement

By Inge K. Hansen
Non-Executive Chairman of the Board

Customer satisfaction and operational excellence spell exciting times ahead

2014 has been a historic year for Nets and I am pleased to say that we are in a strong position to continue developing the business in an exciting space. We saw a change of ownership, a new CEO and Executive Committee, as well as simplification in the way Nets is organised – all with a view to strengthening our focus on customer satisfaction, innovation and operational excellence.

Nets has a clear growth strategy and we plan to invest in strengthening and expanding our business across the Nordic region.

The sale of Nets heralded the arrival of our new shareholders – Advent International, Bain Capital and ATP. The new owners are experienced investors in the global payments industry and are committed to being responsible stewards of Nets as an important financial services provider to the Nordic people, by investing tirelessly to develop the innovation, service and security of Nets. Nets participates in an industry, which demands constant innovation in technology to satisfy complex and evolving customer needs. That is why we need to focus on customer satisfaction, innovative solutions and operational excellence to grow our business.

Our overall target is to develop Nets into a pan-Nordic champion in the payment and digital services industry. I feel confident that our management team, headed up by our CEO, Bo Nilsson, has the necessary expertise and experience to realise this vision. The relationship between Nets' management team and Board of Directors has been professional and co-operative, and I would like to thank Bo and his team for their great commitment.

On behalf of the Board, I would also like to thank our employees and managers at Nets for their hard work and dedicated spirit in managing the business in 2014.

CEO's statement

By Bo Nilsson
Group CEO

Driving digital values and customer focus

At Nets we want to create the future of digital values. We want to help societies and businesses become more efficient through digital money, digital information and digital identity. 2014 marked an important step towards fulfilling this vision. Looking ahead, we are excited about the next phase of our Future Nets strategy.

2014 featured one of the most critical incidents in our company's history. In the spring of 2014, it became clear that a former IBM employee had leaked highly sensitive card information from Nets to a journalist from the Danish magazine, Se og Hør. As a result, we have made and will continue to make significant investments to strengthen our procedures, processes, tools and systems around security to minimize the risk of a case like this happening again.

Setting the standards in a digital society

In 2014, we delivered the first step of our Future Nets strategy laying the foundations for efficient operations and improved customer focus. We need to continue to build on that foundation to grow a great company that supports customers as they expand across markets, platforms and value chains. We want to set the standard in a digital society, and we believe no one can do it better than Nets.

Customer-facing business units

In 2014, we took a step towards realising our vision. We intensified our focus on customers by reorganising into three strong business units, each addressing a specific customer segment. Understanding our customers and converting insights into solutions that have digital value is a crucial part of our vision.

2014 marked a year with many commercial successes. In November, we succeeded in modernising the digital infrastructure in Denmark. The new ISO 20022-based clearing solution enables real-time clearing of account-to-account payments at any time. We believe the clearing solution has led to increased use of person-to-person (P2P) payments as an innovative catalyst in the competitive market for digital payments.

Furthermore, we agreed with Danish banks and the Danish Chamber of Commerce to launch Dankort with contactless functionality by the summer of 2015. This will result in quicker payments for merchants and increased convenience for consumers, while securing Dankort as the cheapest means of payment also in the future.

Increasing our presence

Financially, Nets' performance shows an underlying change of trajectory compared to 2013 as a result of the first phase of our Future Nets strategy. By investing in technology, focusing on customer deliverables and new scalable solutions and efficiencies, we managed to grow Nets' year-on-year underlying EBITDA also in 2014.

Moreover, with the acquisition of Payzone, Paytrail and DIBS, we increased our presence in Sweden and Finland as well as expanded our e-commerce capabilities, allowing us to offer an even better service to our customers in the Nordic region.

Looking ahead, our single most important priority does not change. We must continue to provide fast, secure and stable processing of the billion transactions we service every year.

I want to thank all our customers, partners and colleagues for their support during 2014. We look forward to working with you as we continue to improve and develop during 2015.

Who we are, what we do and outlook for next year

Who we are

Nets is a Nordic provider of payment solutions, information services and digital security solutions and has one of the most extensive and innovative product portfolios in Europe.

Our company dates back to 1968, but became Nets in 2010 following the merger of Danish PBS Holding A/S and Norwegian Nordito AS. Today, we have more than 2,600 employees in five European countries.

Nets was acquired by Advent International, Bain Capital and ATP in 2014. The owners are among the most experienced private equity investors in the global financial services and payments industry.

Together, we have the resources and the operational expertise to execute on Nets' growth strategy, Future Nets. Our goal is to become the Nordic champion in digital money, digital information and digital identity.

What we do

Nets' mission is to enable societies and businesses to become more efficient through digital money, digital information and digital identity – what we collectively refer to as 'digital values':

- Digital money: Managing payment in an efficient, flexible and secure way, while enabling new touch points between banks, merchants and consumers.
- Digital information: Providing secure, user-friendly and integrated solutions across channels and customers.
- Digital identity: Assisting digital societies to exchange digital money and digital information in a safe and efficient way.

We aim to make the handling of payment and information as easy as possible. Our efforts have led to the development of some of the world's best and most cost-efficient payment infrastructure products. These include the national direct debit payment services AvtaleGiro and Betalingsservice, the national debit cards Dankort (Denmark) and BankAxept (Norway).

In addition to payment infrastructure solutions, Nets has developed the digital identity solutions NemID in Denmark and BankID in Norway. These solutions help private companies and public institutions operate more efficiently by providing digital identities for individuals, to enable secure access to digital information and to exchange digital money.

Our services

At Nets, we deliver our products and services through three different business units, each of which addresses a specific customer segment.

Financial sector

For decades, Nets has been instrumental in developing payment systems in the Nordic countries together with the financial services sector. This has resulted in some of the world's most modern and efficient infrastructures for managing invoices, payments and documents.

Individual banks and businesses

Banks and businesses benefit from working with Nets. We are a trusted and strategic partner and provide stable, secure and scalable platforms for card transactions, payments, information, and mobile and digital services – as well as a broad range of value-added services.

Merchants

Nets' payment solutions allow merchants to accept electronic payments, both physically and online. We offer a complete portfolio of payment solutions and value-added services for all types of businesses and channels. Our solutions cater for small independent shops as well as large multinational retail chains.

Outlook for 2015

To achieve our vision of creating a future of digital values, we have defined an ambitious growth strategy going forward. This includes expanding our business in 2015. Our goal is to become the Nordic champion in digital money, digital information and digital identity and with our new owners, our strategy has been accelerated even further.

Nets expects 2015 to be another year of high-level activity. We will work towards increasing overall customer satisfaction in all our business segments, and continue to streamline our operations and processes to deliver on our reputation for stability, security and integrity. By having a consistent way of working, we will build a customer-focused, cost-efficient, and innovative business that delivers better results to our customers, partners and shareholders.

Our vision:

Creating the future of digital values

Cutting through complexity – reaching the next level of payment evolution

Payment solutions today rest on the pillars of globalised card infrastructure and transfers using automated clearing houses. Will the information age with its technology-driven avalanche of innovative consumer offerings change this, or will consumers stick to banks as providers of payment instruments?

The layers built on top of the foundation increase disintermediation and often provide less transparency to the true funding source for the consumer – driven by a desire to ease the payment process and/or provide value-adding services on top of a basic transaction – but the core infrastructure remains the same, simply because of efficiency and ubiquity.

The question whether new payment solutions will replace some of the current core elements such as a bank account, cards or cash, or continue to add functionality on top, is to large extent political, and indeed there is an outspoken demand for lower costs for payment acceptance, though it is still expected to be provided by the financial sector.

By embracing the mobile revolution and introducing the mobile wallet to their customers, banks empower the consumers by giving them full control of their payment options right at their fingertips. With these developments, and the apparent increase in digitised commerce, the financial sector will definitely simplify payments in the future, and the number of situations, where cash is needed will be fewer and fewer.

The mechanics of consumer payments

The need for exchanging valuables has always been an inherent part of human interaction. With the expansion of civilisations the concept of payment and the complexity and volume of payments have grown – similar to the spiral-shaped shell of the prehistoric ammonites – constantly evolving and adapting to the growth and building the complexity needed to fit for purpose.

Payments have always been about receiving a service or an asset, and giving something back in exchange, but as civilisations evolved, simple bartering was insufficient and it became necessary to define value in a more abstract way, and to agree on a common reference in which we could trust, and to which any asset could be related. The invention of money was indeed brilliant – a structure enabling us to use the same method and instrument for payment, whatever item one wanted to purchase.

Building layers

It is important to realise that today's payments rest on the simple exchange of valuables, but also to accept the fact that the structures we have built, since the first monetary systems were developed, constantly increase in complexity to fit for purpose. Trust remains a pivotal factor, and a necessary basis for all implementations of payment systems.

Factors such as the need for security, accessibility and transaction speed have driven the development of payment infrastructures and introduced multiple peripheral solutions. Furthermore alongside with these developments complex regulation layers have been introduced to govern the ecosystem and ensure the trustworthiness.

Banking has made it possible to combine safe keeping with high accessibility, and has centralised the transfer of funds to deal with security issues. Modern technical achievements have enabled the prevalence of global infrastructures such as Visa/MasterCard, providing access to funds and facilitating transactions directly at the point-of-purchase.

In our present consumption-driven economy – based on growth and supply/demand in a global marketplace – the demand for speed, global accessibility and convenience have given new players outside the traditional financial infrastructures an opportunity to establish new products and services, on the surface offering convenience and ease of use, but still adding layers to the evolution spiral and increasing the complexity and span of the value chain.

At the same time, every single payment layer constantly needs to be adapted to meet current requirements in order to maintain validity and usability – thus, the design of bank notes is renewed to avoid counterfeiting, identity schemes are introduced to ensure authenticity and encryption to ensure that transactions cannot be compromised – taking the entire evolution spiral to a new level.

Payment superstructures

The rate at which new consumer payment services is introduced is exponential. Before the 20th century, gold-based currencies in cash were dominant, but from 1900 to 1950, the first developments of card payments took place. In the second half of the 20th century, the adoption rate of card based infrastructures grew dramatically, and the creation of a world-wide network provided the foundation for connecting local card schemes, enabling worldwide use.

Today, rapidly growing e-commerce and use of mobile devices (laptops, tablets, phablets and smartphones), combined with the global reach of major card schemes, has fostered a huge number of innovative new ways to facilitate payments – BUT the vast majority simply provide services built on top of the globalised card infrastructure and do not constitute new payment infrastructures OR acceptance solutions by themselves. In essence, these solutions only add to existing platforms, having already established infrastructure as a prerequisite for operating, but creating value for users e.g. by freeing up valuable time to focus on commerce rather than the less exciting payment part of the process.

So, what does this diversity mean for consumer payments and commerce in general?

The answer is: less transparency - awareness of the true funding source often gets obscured by the layers built on top, which in general is accepted due to increased convenience and purpose-built functionality. The aim is often to lower payment barriers enabling a smoother sales process, yet it increases the disintermediation between the core source of funds and the consumers' perception in the payment process.

As a result, a number of payment superstructures have emerged, offering a different business model, e.g. using prepaid as the means to facilitate "simpler" payment experiences, and creating a consumer perception of a parallel banking experience for payments. Services allowing people to enrol a payment card, and create transactions using a proxy (e.g. barcodes or RFID) are abundant, seemingly creating a new payment method, yet in fact paying tribute to the efficiency and market coverage of the existing infrastructure.

For merchants, smarter, convenient, simpler and value-add are attributes that attract - however, the most important criteria for a payment solution to be widely adopted by merchants is ubiquity. The combination of innovation, standardisation and certainty of user adoption across markets is a strong investment rationale.

Adding value?

With the growth of digital services (online and mobile), convenience seems to be one of the main drivers of success. This feature is also a prerequisite for user uptake in the first place. While consumers have been increasingly well served in terms of convenience, they have shown very little willingness to pay for convenience directly.

There are, however, ways to motivate consumers to pay for convenience in a more indirect manner. One way can be by reducing the quality of the product while increasing the convenience. Examples of this can be seen when people switch to streaming music services, where the convenience is higher but the quality lower than music distributed on CDs. Within financial services, it could be argued that some products like e-money are of lower quality than other electronic means of payment (less consumer protection, less flexibility etc.), but offer a more convenient user experience in certain settings - e.g. at festivals, where participants have topped up a "digital purse" to pay for beer and other expenses within a limited area for a limited time.

Another way of paying for convenience is for the consumer to pay in the new "alternative currency" of information. The ability to exchange personal information for services has seen explosive growth over the past years, with Google being the leader of this kind of business model.

The amount of information that the user generates and is able to share (knowingly or unknowingly) is growing due to increased digitisation of services. This is leading to more options offering higher quality and greater convenience and hence an increase in the total value of the service, all fuelled by the added value of the information generated. But while this leverages the total value of the growing ecosystem, it is important to remember that the original assets – the money in the account – remain the same.

That said – the consumer might find he or she derives additional benefits besides convenience through the digital channels when use and/or information are rewarded with special offers and discounts.

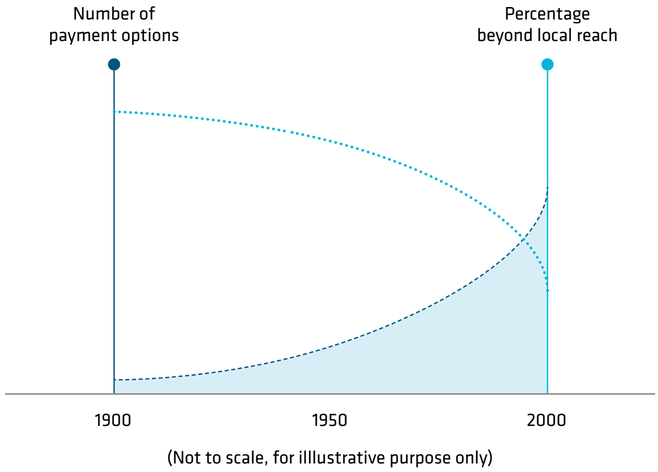
The question is – how much value is it possible to generate on top of the basic commercial transaction of exchanging money for goods? Will it always be a win–win situation where consumers benefit from a high level of convenience, relevant offers and attractive discounts while at the same time giving sufficient benefit to the merchants or other commercial entities for them to sponsor the new layers and increased complexity in the ecosystem?

The financial sector should strive to ensure that the development of the future payment solutions combines the desire for convenience with value for merchants while maintaining transparency of the underlying assets.

A quantum leap may redefine the basis for evolution

With the introduction of Internet commerce, the world has witnessed an explosive development of "digital payments" in the online universe – in part as existing payment instruments and schemes have been adapted to suit emerging needs, and in part as overlay services have bridged the gap to the real world and provided automated payments, invoicing and other solutions.

With the introduction of online payments in physical stores, where stored card information is used via e.g. barcodes or facial recognition, we experience the trend of payments going full circle, merging into one single payment methodology regardless of context. It can be anticipated that regulatory adaptions will follow



The Internet-age surge in available payment solutions has generated a large quantity of services lacking the ubiquity of previous payment instruments, creating a never-before-seen diversity of payment options available – varying from one market to the other.

to align regulation with reality and reduce the differences between traditional "physical" payment instruments and their online manifestations, further fuelling the innovation engine.

The question is whether new payment solutions will replace some of the current core elements such as a bank account, cards or cash, or add functionality on top. The increasingly outspoken market demand for lower costs of payment acceptance, and the intensified political debate regarding consumer costs, indicate that we are reaching a point of saturation beyond which complexity and costs will exceed the benefits of increased efficiency.

As the main provider of payment instruments connected to an account, banks are in a unique position to protect their role as the primary source for consumer payments, enabling their customers to pay directly from an account. The build-up to such a quantum leap is seen across markets, where banks provide the consumer with direct and easy access to perform person-to-person payments from mobile devices, with no need for a prepaid account, a card acceptance device or a home banking solution.

For these services to cover the needs in a commercial setting, cross-border connectivity and standardised acceptance have to be in place. A new representation of the payment core can emerge, creating new opportunities for innovators to build convenient superstructures - and most likely also significant challenges for others.

A keyword to consider is *standards*. Banks are in a strong position to build on existing standards for processing transactions, whatever infrastructure is used. The necessary operational international forums are in place to agree on new acceptance standards, as is the legal competence needed to ensure long-term compliance with legislation.

Empowering the consumer; clearing the way to future payments

No contender is on the brink of world dominance – but some have created regimes within which a stronghold is certainly present, although at the cost of putting up walls to ensure control. The walled gardens of the mobile platforms are proof of how total control restricts ability to interact with outside stakeholders, and issuers as well as solution providers are forced to put a sign in the window stating "available on any platform".

Thus consumers have to make a choice, and they cannot be certain that they will have the complete set of options once they have made their choice – far from ideal, and an open invitation to create a more efficient setting for consumer payments.

Organising payment services into a wallet is one step towards the desired end-state and in addition, developing the wallet to operate across platforms as well as to span physical and on-line commerce will provide the commerce transparency that many overlay services strive for. To release the wallet's potential for full-scale consumer benefit enabling users to do more than card payments, standards for interactions will have to be described - e.g. redemption of points at any point of consumer contact, validating digital identity or standardised access to issue coupons to any wallet.

Furthermore, adding the ability to control other items, and not only funds in the wallet, creates the true foundation for digitising the mechanics of payments, enabling a consumer to transfer non-monetary valuables in a transaction.

The latest technical achievements allow for the development of a mobile instance of the wallet that will provide the platform for issuers to issue cards directly to a mobile device, empowering their customers to conduct commerce in any market accepting contactless payments, and, in future versions, to operate across physical and online commerce domains as well as managing valuables.
A way of understanding the full potential of the wallet is to see it as not only a container of instruments and valuables but also a window to all the different layers, allowing an issuer to provide access not only to a bank account or payment card and other bank-issued services but to any other service relevant to the consumer e.g. loyalty cards, points, coupons, digital identity and other public services.

Cashing out – effects on cash in circulation

Having these payment capabilities right at your fingertips together with the apparent increase in digitised commerce will definitely simplify payments in the future, and the number of situations, where cash is needed will be fewer and fewer.

The banks' innovative person-to-person solutions are a clear example of how modern solutions provide an equal alternative to exchanging cash, and the more standardised and internationally available they get the more these solutions will make cash obsolete.

For merchants, the advantages of electronic payments over cash will become increasingly evident, as the potential of more intelligent value-adds gets released in the coming years.

The extent to which digitised payment solutions will replace cash depends upon more than just technology and smart payment instruments, but as far as consumers are concerned, security, convenience and globalised acceptance will be strong drivers towards a cashless society.

Board of Directors

Inge K. Hansen

Humphrey Battcock

James Brocklebank

Robin Marshall

Luca Bassi

John Helmsøe-Zinck

Lars M. Haga

Ove Kolstad

Frank A. Olsen

Ulrik R. Thomsen

Inge K. Hansen

Inge Ketil Hansen (1946) holds a M.Sc. degree from the Norwegian School of Economics and Business Administration (NHH). He was a director of Bergen Bank and Den norske Bank before becoming CEO of Orkla Finans from 1994 to 2000. He became CFO of Statoil in 2000, and after a period as acting CEO from 2003 to 2004, he went to Aker Kværner to become CEO in 2004. He has served as Chairman of Avinor AS, and AIM Norway SF. Inge is currently Chairman of Gjensidige Forsikring ASA, NorSun AS, Continental AS, Core Energy, Arctic Securities, Harding, Troms Kraft and of the "World Championship Biathlon in Holmenkollen," Oslo, 2016. Inge serves as member of the Board of Hydro ASA, the Fram Museum and Sissener AS, and was awarded "The Chair of the Year" and "Nordic Chair of the Year" in 2012.

Humphrey Battcock

Humphrey joined Advent in 1994 and has 29 years of private equity experience. Humphrey has led or co-led investments in 28 companies, 12 during his time at Advent, including The Priory Group, Towergate, Moeller, Aviagen, and Boart Longyear and is a member of the Western Europe Investment Advisory Committee. Prior to joining Advent Humphrey spent nine years as a partner with Trinity Capital Partners, a UK private equity firm. From 1976 to 1983, Humphrey worked for Coopers & Lybrand, in London and New York, where he gained experience in international mergers and acquisitions.

James Brocklebank

James joined Advent International in 1997 and has 17 years of private equity experience. Based in London, James co-heads Advent in Europe and is responsible for the European business and financial services sector team. He is also a member of the Western Europe Investment Advisory Committee. James has led Advent's investments in Nets, Worldpay, and Equiniti Group and participated in seven others. Prior to Advent, James worked on international mergers and acquisitions in the London office of investment bank Baring Brothers and its affiliate Dillon, Read & Co. in New York.

Robin Marshall

Robin joined Bain Capital in 2009 and is a Managing Director. Prior to joining Bain Capital, he was a Partner at 3i where he completed transactions in the healthcare, business services and consumer sectors. Robin was the founding partner of 3i's US Private Equity business and prior to that was a Managing Director of 3i's UK business. Previously, he was with McKinsey & Company and Procter & Gamble. Robin is currently a Director of Worldpay, Securitas Direct, and BPL.

Luca Bassi

Luca joined Bain Capital in 2003 and is a Managing Director with a focus on Financial and Business Services. Prior to joining Bain Capital, Luca worked for Goldman Sachs in the Investment Banking Division in London where he advised Italian and international companies on cross-border mergers and acquisitions. Previously, he worked as a strategy consultant at Bain & Company in Milan where he focused on the industrial, consumer goods and financial services sectors. He is actively involved in Bain Capital's portfolio companies Nets, Worldpay and TeamSystem.

John Helmsøe-Zinck

John is Managing Partner at the Private Equity fund Via Venture Partners. He has more than 25 years of senior management experience serving as a top executive in global IT enterprises, management consulting and private equity. In addition, John has held independent non-executive board of director positions in the communications and IT sectors. Executive positions include Managing Director of Fujitsu/ICL, VP and Managing Director of A.T. Kearney Copenhagen, Executive Vice President of the global Commodore Group, Managing Director of Commodore Computers, and OEM Manager of Hewlett-Packard. Presently John is a board member at Adra Match AS in Norway and DDD Retail ApS.

Lars M. Haga

Lars M. Haga serves as employee representative on the Board of Directors. He has been with Nets for 14 years, works as Procurement Category Manager and Chief Shop Steward and has been represented on the Board since 2013.

Ove Kolstad

Ove Kolstad serves as employee representative on the Board of Directors. Ove works in IT service operation in Nets and has been represented on the Board since 2012.

Frank A. Olsen

Frank A. Olsen serves as employee representative on the Board of Directors. Frank has been with Nets for 30 years and works as Chief Shop Steward on fulltime. Frank has been represented on the Board since 2003.

Ulrik R. Thomsen

Ulrik R. Thomsen serves as employee representative on the Board of Directors. Ulrik has been with Nets for 28 years and works as System Consultant. Ulrik has been represented on the Board since 2007.

Executive Committee

Bo Nilsson
Group CEO

Stig F. Poulsen
Group Executive Vice President,
CFO Finance

Freddy Haraldsen
Group Executive Vice President,
Sector Services – and Country Manager
for Nets in Norway

Susanne Brønnum
Group Executive Vice President,
Financial Services – and Country Manager
for Nets in Denmark

Peter Wirén
Group Executive Vice President,
Merchant Services – and Country Manager
for Nets in Sweden

Pia Jørgensen
Group Executive Vice President,
IT & Operations

Frode Åsheim
Group Executive Vice President,
Strategy & Transformation

Bo Nilsson

Group CEO

Bo was a Vice President at JPMorgan Chase & Co. in London and New York from 1990 to 1999. From 2000 to 2006, he was the CFO and Director of the media company, Grupo Media Capital in Lisbon, Portugal. In 2006, Bo founded the multinational book publishing company, Grupo LeYa. He was Director of Grupo LeYa until 2013. Bo joined Nets as CFO in May 2013, and was appointed CEO in August 2014.

Bo holds a Master's degree in Financing and Strategic Planning from Copenhagen Business School (CBS). In addition, he graduated from the MBA Corporate Finance Program at JPMorgan Chase & Co in 1992.

Stig F. Poulsen

Group Executive Vice President, CFO Finance *)

Stig was Finance Director at Maersk Drilling before joining Nets in 2012 as Senior Vice President, Head of Accounting and Finance Operations. He has been CFO and part of the Executive Committee of Nets since August 2014. Stig holds overall responsibility for Accounting, Business Controlling, SAP & Business Intelligence (BI), Treasury & Capital Markets and Procurement.

Stig has a Graduate Diploma in Master's Degree in financial and management accounting and a Master of Science (MSc) in Business Economics and Auditing from the University of Southern Denmark.

**) Stig F. Poulsen has acted as interim CFO since August 2014. Klaus Pedersen has been appointed new CFO and will join Nets no later than 28 February 2016.*

Freddy Haraldsen

Group Executive Vice President, Sector Services
– and Country Manager for Nets in Norway

Freddy joined Nets in 1997 as Project Manager for eGiro, Bankenes BetalingsSentral (BBS) and was promoted to Programme Director in 1999. After a number of promotions over a 10-year period, Freddy was appointed Group Executive Vice President for Payments Information and eSecurity and Country Manager for Nets in Norway in 2011.

Freddy is a Data Engineer from Oslo Ingeniørhøgskole. He holds a Master's degree in Management from the BI Norwegian Business School in Oslo.

Susanne Brønnum

Group Executive Vice President, Financial Services
– and Country Manager for Nets in Denmark

Susanne has held a number of positions at Nets since she joined the company in 1997 – including Product Manager where she was responsible for PBS acquiring business for the MasterCard, Visa and JCB brands. In 2007, she was appointed Director of the largest Nets business unit, Cards (now Financial Services). Susanne was appointed CEO of Nets Denmark A/S and Group Executive Vice President in 2010.

Susanne has an Academy Profession Degree in Financial Management from Copenhagen Business School (CBS) and has completed The General Manager Programme (TGMP) at Harvard Business School.

Peter Wirén

Group Executive Vice President, Merchant Services,
– and Country Manager for Nets in Sweden *)

Peter has been the head of Teller since 2000, which is now part of Nets' Merchant Services. Prior to this, he held management positions in Telenor, Aftenposten, The Bargain Pages and Scandinavian Airlines. From 1998-2000, Peter was Managing Director of Domino Norge, before joining Nets (Teller) in June 2000.

Peter has a Bachelor of Science (BSc) in Business Administration and Economics from Uppsala University.

**) Peter Wirén will leave Nets in 2015 and has been replaced by Asger Hattel who will join Nets on 13 April 2015.*

Pia Jørgensen

Group Executive Vice President, IT & Operations

Pia joined Nets in 2014 as Group CIO. Pia have a long international career working for General Electric (GE), Washington Mutual Corporation and JPMorgan Chase & Co. In 2008, she was appointed Senior Vice President and Chief Technology Officer for JPMorgan Chase & Co., Retail Banking Services, in Columbus, Ohio. Pia also serves as interim COO responsible for Customer Services, Fraud & Dispute and Internal Services.

Frode Åsheim

Group Executive Vice President, Strategy & Transformation

Frode joined Nets in 2006 as Senior Consultant, Strategic HR, Bankenes BetalingsSentral (BBS). In 2007, he was promoted to Director of Business Management in Sales and Business Development, and in 2010, he became Head of Strategy in the business unit Payment, Information and eSecurity. In 2012, Frode was appointed Head of Strategy and Customer Concepts, and in August 2014 he became Group Executive Vice President, Strategy & Transformation with Group responsibility for HR. Before joining Nets Frode Åsheim worked as management consultant in PA Consulting Group.

Frode holds a Master of Science (MSc) in Economics and Management from the University of Oslo.

2014 performance

Five-year financial summary

Performance highlights

DKKm	2014	2013	2012	2011*	2010*
Financial performance					
Revenue, gross	8,607	8,686	7,436	**	**
Revenue, net	6,546	6,727	5,962	5,562	5,110
EBITDA before special items	1,663	1,525	**	**	**
EBITDA	1,252	1,324	1,077	1,205	1,190
EBIT	844	876	741	743	719
Financial income, net	31	25	195	195	20
Profit before tax	933	907	966	938	739
Net profit for the year	652	613	698	621	533
Total assets	11,102	11,729	12,380	6,712	6,144
Goodwill	1,318	719	934	417	515
Clearing-related assets	5,092	5,037	6,278	1,431	1,136
Net cash	1,726	2,479	2,255	1,974	1,687
Non current interest-bearing debt	635	988	981	-	-
Equity	2,366	2,307	2,334	2,071	1,842
Capital expenditure, net	403	327	169	195	286
Net cash from operating activities	-476	1,062	605	674	784
Net cash from investing activities	120	-150	-1,332	-180	-273
Net cash from financing activities	205	-498	483	-400	-894
Total cash flows	**-151**	**414**	**-244**	**94**	**-384**
Financial ratios					
EBITDA before special items margin	25%	23%	**	**	**
EBITDA margin	19%	20%	18%	22%	23%
Net profit margin	10%	9%	12%	11%	10%
Equity ratio	21%	20%	19%	31%	30%
Social performance					
Employees:					
Employees (year-end FTE)	2,698	2,578	2,861	2,290	**
Employees (average FTE)	2,688	2,682	2,443	2,231	2,122

* 2010-2011 accounted for under Danish GAAP.

** Information not available.

Financial performance

In 2014, we focused on developing cutting edge technology both organically and through acquisitions as well as continuing to improve internal efficiency. We acquired Payzone Nordic AB, Paytrail Oyj and 85.8% of the shares in DIBS Payment Services AB.

- Revenue was up 1.2% compared to 2013 when adjusted for changes in foreign exchange rate and impact from disposals and acquisitions
- EBITDA before special items was DKK 1,663 million up by DKK 138 million or 9.1% to 2013
- Total cost base was impacted by special items of DKK 411 million up by DKK 210 million to 2013 and driven by operational improvement initiatives and cost associated with the Group.

EBITDA before special items

EBITDA before special items improved to DKK 1,663 million (2013: DKK 1,525 million) up by DKK 138 million or 9.1% from 2013. The increase in EBITDA before special items was a result of execution of a number of operational efficiency initiatives, both related to staff costs and external expenses.

Revenue

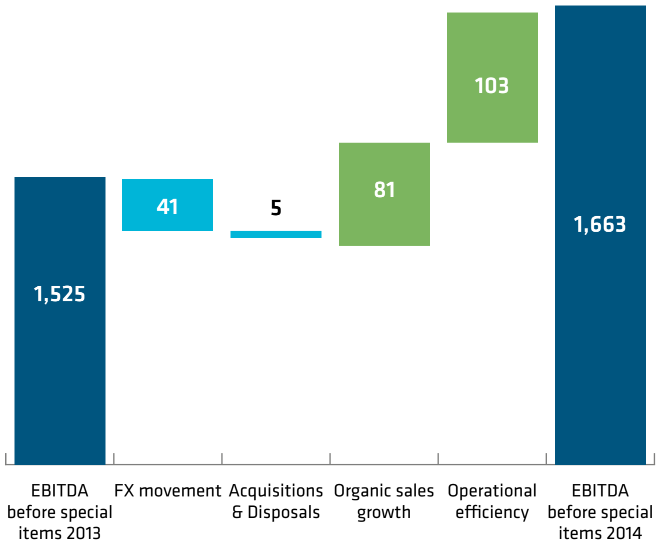
Total net revenue was DKK 6,546 million (2013: DKK 6,727 million) a decrease by DKK 181 million or 2.7% compared to 2013. Adjusted for currency fluctuations and disposed/acquired businesses, 2014 showed an organic growth of DKK 81 million or 1.2%:

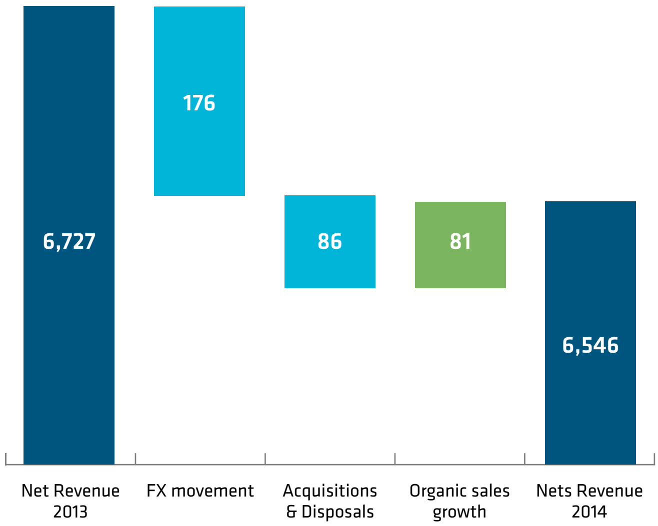
Revenue per business area

Revenue within Sector Services was DKK 3,406 million up by DKK 159 million mainly driven by continued penetration resulting in growth in transactions using Dankort, BankAxept and processing services for international payments cards.

Revenue within Merchant Services was DKK 3,302 million, a decrease by DKK 172 million, mainly driven by disposals, acquisitions and impact from changes in foreign exchange rates primarily related to NOK.

Revenue within Financial Services was DKK 1,899 million, slightly below last year, including the impact of contract renewals with previous shareholders, disposals and impact from changes in foreign exchange rates.





EBITDA before special items is defined as earnings before interest, tax, depreciation and amortisation. It also excludes special disclosed items (see Note 2.2). EBITDA before special items is considered by Management to give a fair view of the year on year comparison of trading performance.

Costs

Cost of sales decreased by 6.7%. The decrease reflects disposal of activities of Cryptera A/S.
External expenses increased by 3.2% mainly driven by costs, special items, related to the sale of the Group, and costs related to transformation programmes. Staff costs decreased by 4.6% mainly due to lower severance costs compared to 2013.

Tax

The effective tax rate for 2014 was 30.1% compared with 32.4% in 2013. Adjusted for non-deductible costs related to the sale of the Group the effective tax rate in 2014 was 25.5%.

Strategic divestments and investments

Divestments and assets held for sale

The ongoing review of business units, already initiated in 2013, led to identification of certain activities that were non-core to the Nets strategy. In 2014, the sale of business presented as assets held for sale end 2013, have been finalised, including Eurocard and Prepaid, and also Cryptera A/S. Total gains from divestments amounted to DKK 45 million in 2014 (2013: DKK 0 million).

Proceeds from divestments amounts to DKK 660 million (2013: DKK 0 million).
In 2014, acquisitions, in line with the Nets Strategy of a better foot print in Sweden and Finland, totalled DKK 731 million (2013: DKK 0 million) including Payzone Nordic AB, Paytrail Oyj, and acquisition of 85.8% of the shares in DIBS Payment Services AB.

Capital structure

Equity

Total equity amounted to DKK 2,366 million at the end of 2014 equivalent to an equity ratio of 21.3% (2013: 19.6%). Equity at the end of 2014 was impacted negatively by currency adjustments of DKK 166 million (2013: DKK 84 million) mainly related to the depreciation of NOK versus DKK. Proposed dividends amount to DKK 498 million (2013: DKK 498 million).

Working capital and cash flows

Cash flow from operating activities

Cash flow from operating activities was negative by DKK 476 million in 2014 (2013: DKK 1,062 million) mainly driven by clearing-related balances, which impacted negatively by DKK 1,564 million (2013: DKK 6 million) mainly due to debt to merchants in Finland as a result of lower volumes and changes in settlement days.
Tax payments amounted in 2014 to DKK 318 million (2013: DKK 265 million).

Cash flow from investing activities

Cash flow from investing activities was positive with DKK 120 million in 2014 (2013: DKK -150 million) due to divestments and sale of securities contributing DKK 1,257 million in 2014 (2013: DKK 129 million) Cash flow from investing activities also included total purchase of plant & equipment and intangible assets of DKK 403 million (2013: DKK 327 million) and total acquisitions of DKK 731 million (2013: DKK 0 million).

Cash flow from financing activities

Cash flow from financing activities was a net cash in-flow of DKK 205 million (2013: DKK -498 million) mainly driven by proceeds from new borrowings of DKK 1,703 million partly offset by repayment of loans of DKK 1,000 million and dividend payments of DKK 498 million.

Case study

Contactless payment at Dansk Supermarked

Teller and Nets joined forces with Dansk Supermarked to create the foundation for Dansk Supermarked to implement contactless payment for all of the group's just under 600 stores. Dansk Supermarked is seeking to enhance customer service but will also gain valuable experience towards the eventual convergence of payment cards with smartphones.

Going forward, there will be no need to use a PIN with your payment card when buying breakfast rolls from the baker's or a lotto ticket at the supermarket kiosk. In the course of 2015, it will be possible at many outlets just to hold the card in front of the POS terminal to complete payments for small amounts below DKK 200. Quick, secure and very easy.

This type of contactless card payment will be rolled out in earnest in the Danish retail trade during the autumn, when all new Dankort and VisaDankort cards will be equipped with contactless technology and a little antenna in the payment card for transferring data to the POS terminal without the card and terminal being in direct contact.

The infrastructure is already in place in the retail trade

The new generation of terminals from Nets, which have largely been implemented in Danish stores over the last couple of years, incorporate NFC (Near Field Communication) technology, which is necessary for completing contactless payments. Thus, a large swathe of the Danish retail trade is well prepared for contactless payment, and that is particularly true of Dansk Supermarked, which has 4,500 Nets terminals in place in the group's just under 600 Danish stores across the Netto, Føtex, Bilka and Salling chains.

Although so far only payment cards such as MasterCard and Visa incorporate contactless technology, Dansk Supermarked made the decision as early as summer 2014 to ask Teller and Nets for assistance to complete a pilot project and subsequently implement contactless card payment, according to Jens Freiberg, Head of ITS Business Support at Dansk Supermarked A/S.

Successful collaboration with Teller and Nets

"Dansk Supermarked basically takes the view that we should always try to harness the latest technology in our stores and be among the first to learn all about it. We've always done that, and that's what we want to do with regard to contactless payment cards. We also feel that, as Denmark's leading retailer, we have a duty to drive developments and set new standards in the marketplace.

That's why we're delighted that, working with Teller and Nets, we have been able to get this in place within a relatively short time and without any major hiccups along the way. Working with Teller and Nets has been excellent, with ongoing meetings and open discussions about our needs. This covers everything from adjusting the back-end systems to updating POS terminal software and producing a leaflet for our checkout staff to use when advising customers about contactless payment," Jens Freiberg explains.

Speed is not the biggest advantage

Although contactless payment makes using a payment card quicker for small kiosk purchases, for example, the time saving is certainly not the key factor as far as Dansk Supermarked is concerned.

"I'd estimate that we only save a couple of seconds per transaction by using contactless payment. That's all very well and good, but you have to bear in mind that these transactions are pretty quick anyway. The latest card terminals from Nets make using a payment card extremely fast, actually.

Our primary objective is not to save time but to optimise the customer's purchasing experience. Convenience is definitely a key parameter for us in all our stores. I'm also convinced that contactless payment will quickly become an option at most retail outlets. The effect will be that, within a year, most customers will no longer be impressed with this payment option; they will simply expect it," Jens Freiberg explains.

Prepared for the future

Apart from greater customer satisfaction, Jens Freiberg also expects less maintenance will be required for some of the stores' card terminals, as there will be less wear and tear from day-to-day contact with busy shoppers' payment cards. However, the main point of introducing contactless payment is still waiting in the wings.

"Like everyone else in the retail trade, we obviously have our sights firmly set on the day when it will be possible to use a smartphone to make payments. From that vantage point, we regard contactless payment as an excellent way of getting customers used to the general concept of contactless payment.

It's only a matter of time before payment cards converge with our phones with the advent of some great and widely-accepted wallet solutions in the marketplace. Once that happens, we will be able to tailor our customer service in earnest by customising special offers, discount schemes, loyalty programmes and other ways of adding value.

But before that becomes a reality, we need to get to grips with existing options and learn some valuable lessons about using contactless payment methods," Jens Freiberg concludes.

In recent years, Nets and Teller have been working with the banks and international card companies to lay the foundations for contactless payments in both Norway and Denmark. Today, Teller offers all of its Danish customers – more than 46,000 merchants – the facility to accept contactless card payments.

Why contactless cards are secure

The level of security for contactless payments is the same as for the familiar chip-and-PIN payment card. Contactless cards incorporate the following functions, among others:

- **Near field communication** – the transaction takes place within a few centimetres of the card reader.
- **Encryption** – a unique, built-in security code identifies each transaction. If an individual code is used more than once, the transaction is blocked.
- **Privacy** – your name and signature are not transferred with the transaction, and you never have to give out your card details.
- **No PIN for small purchases** – you can only use contactless payment without a PIN for small purchases (maximum amount DKK 200). For security reasons, users will be asked to insert their card and confirm their PIN at regular intervals.

> "We need to get to grips with existing options and learn some valuable lessons about using contactless payment methods."

Jens Freiberg,
Head of ITS Business Support at Dansk Supermarked A/S

Customers & Products

Nets is delivering our products and services through three distinct business units, each of which addresses a specific customer segment. While customers have different needs, they all seek effective and innovative payment, information or identity solutions that can help them optimise their business.

Nets is fully committed to maintaining and building our position within digital money, digital information and digital identity – ensuring a fully supported value-chain coverage across all customer segments with leading edge technological solutions.

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Financial sector in Denmark and Norway

Nets delivers payment, information and identity services to banks, the public sector and companies requesting increasing speed, ease of access, and a high level of stability and security - primarily in Denmark and Norway.

Key services are Betalingsservice, AvtaleGiro, Dankort, BankAxept, NemID, BankID, eFaktura and clearing solutions.

Betalingsservice marked its 40th anniversary in 2014 – with more than 200 million transactions, Betalingsservice is the most common direct debit solution in Denmark.

Overall Nets experienced strong volume growth on our key services in 2014. As more and more businesses are sending their invoices digitally through their banks to the customers' Internet bank, our eFaktura service in Norway continue its fast growth rate with an increase of almost 20% in 2014.

Real-time clearing

In 2014, Nets launched a real-time payment platform – a state-of-the-art solution based on the international standard ISO 20022. Real-time clearing was developed for Danish banks and launched in November 2014. It enables individuals and businesses to receive payments within seconds after a sum has been paid. A key target when launching real time payments was to move mobile P2P payments from existing platforms into a true real-time environment offering full reach and interoperability. The Danish launch was an immediate success and is an important step in modernising the Danish clearing infrastructure providing customers not only instant payment options but also information exchanges.

Contactless Dankort

The national card scheme in Denmark is the Dankort payment card, which is owned by Nets. More than 1.1 billion transactions were made with Dankort in 2014.

Nets took an important first step this year in developing the Dankort in line with what consumers want from a modern payment card and to ensure Dankort as the preferred payment option for consumers in the future. Together with the Danish banks and the Danish Trade Association, Nets came to agreement to launch Dankort with contactless functionality in the second half of 2015 ensuring faster payment and increased convenience for merchants and consumers.

NemID and BankID on mobile platforms

New versions of NemID and BankID were introduced in 2014, enabling users' mobile access from smartphones and tablets to their bank accounts or information sharing with national governments.

The number of BankID and NemID transactions are increasing as the adoption of NemID and BankID by banks, the public sector and private companies are growing rapidly. In 2014, BankID was used 330 million times by more than 3 million users, compared to NemID which was used 654 million times by 4.2 million users. More banks, public sectors and companies are looking for more efficient business processes to engage with their customers. Nets' digital identity schemes provide an efficient and strong infrastructure which can support them with digital signatures and digital identification.

Individual banks and businesses

In the Nordic market, Nets provides individual solutions for banks in the field of issuer and acquirer processing services. Additionally we offer services that help banks and businesses further digitise their internal processes, and we focus on bringing new innovative mobile solutions to a market that is developing fast.

Innovative fraud detection solutions

During 2014, Nets delivered two new innovative services to our customers in the Nordic countries and Baltic region to support the Nordic banks in their effort to prevent and reduce payment card fraud.

The first is a fraud solution that works across all payment platforms and helps the issuers to detect and prevent fraud in real-time – before the fraud losses actually materialise – thereby significantly reducing fraud and administration costs. This real-time system also allows the issuer to service the cardholder in a more segmented and customer-centric way.

The second solution targets online fraud on international payment cards which has been rolled out across the Nordic countries. Requiring two-factor authentication of the cardholder during online purchases, significantly reduces online fraud for customers who have implemented this solution.

Card Management System

In 2014, Nets delivered a new Card Management System as part of our full value chain offering to issuing customers across the Nordic region. The new Card Management System has proven attractive for banks, and Nets is delivering a high-end product which is going to shorten customers' time to market and increase their scalability.

Digital self-service for businesses, banks and financial institutions

Nets continued to deliver innovative services in 2014 that enable banks, financial institutions and businesses across the Nordic region to digitise their business processes. Key market drivers in this area are the penetration of electronic IDs and the demand in the consumer market for digital self-service 24/7. Our services help customers achieve significant cost reductions, increase revenue through faster processing of documents and processes, and improve customer satisfaction and customer retention. We supply many of these services to customers across the Nordic region, including electronic signing and distribution services.

Merchants

Offering card payments provides an opportunity to increase sales and service levels. Nets' payment solutions fit all types of businesses – from small shops, clubs and associations to national or Nordic chains.

Nets offers a wide range of products and services to businesses that accept card payments. We offer payment terminals and payment solutions for online and mobile commerce, gift cards, loyalty cards and other value-added services that integrate with our customers' business processes. We offer multi-channel solutions for optimised customer processes.

Financial acquiring

Financial acquiring is managed primarily through Nets' subsidiary, Teller. Teller operates with a multi-channel service delivery strategy, delivering its services through a wide range of channels such as Point of Sale, ATM, e-commerce, mobile unattended terminals (UAT) and contactless payments. Furthermore, Teller offers a wide range of value-added services including Dynamic Currency Conversion (DCC), cashback, fraud detection, loyalty and bonus schemes, purchase information and 24/7 customer service.

Teller renewed and won a large number of major customer contracts in 2014, enabling us to hold our strong position in the Nordic market.

Contactless card payments

Working with banks and international card companies over the past years, Teller has helped to lay the foundation for contactless payments in the Nordic region. In 2014, Teller was the first acquirer in the Nordic region to allow merchants to accept contactless card payments. The solution was launched in Norway in February and in May, Teller was ready to accept contactless card payments in Denmark. Teller's customers can now offer cardholders a faster and more convenient payment experience. Some of the first movers among the merchants were McDonald's in Norway and Dansk Supermarked in Denmark.

Digital wallets

Additionally during 2014, Teller had entered into an agreement with Danske Bank to become the first acquirer of its new solution, MobilePay Online, a digital wallet solution. Digital wallets simplify the payment experience for customers.

Merchant payment solutions

Nets is a pan-Nordic solutions provider of all major global and domestic payment methods across the region. The product suite covers both offline retail and online e-commerce channels, including multi/omni-channel capabilities. The latter solutions allow merchants to link payments in offline and online environments to create a seamless shopping experience. A range of loyalty and information-related services are being delivered across all markets. Tailored products and solutions target a number of different merchant segments, including large retail, SME, hotel and hospitality – as well as the unattended segment (e.g. parking and transport).

Nets has continued to gain major merchant payment solutions customers across the Nordic region. During 2014, the Nordic product line was introduced to the Finnish market with the intention of phasing out current local solutions.

Next-generation retail solutions

Nets initiated several strategic development projects during 2014, including the development of a next-generation Nordic payment application and a new Nordic prepaid card platforms. Two mobile point-of-sale solutions (mPOS) were developed during the year with pilots currently running in the Norwegian market. A contactless solution for the Danish market was completed, with several major customers currently implementing the solution in their stores.

During September 2014, Nets supported the opening of the first Stadium store, a leading Nordic sports goods retailer, in Germany. This launch demonstrates Nets' ability to provide acceptance solutions for our Nordic customers across the Single Euro Payments Area (SEPA).

Acquisitions

In 2014, Nets invested significantly through three acquisitions to strength our merchant-facing offerings and increase our presence in Sweden and Finland.

In July, Nets acquired Payzone AB, a Stockholm-based provider of integrated terminal solutions customised for the retail, hotel and restaurant sectors. By this acquisition Nets strengthens its position in the Swedish market and Nordic point-of-sale offering.

Furthermore, in November, Nets made a public offering for DIBS Payment Services AB – the leading Nordic e-commerce PSP provider. DIBS holds a strong position in especially Sweden, and strengthens Nets' presence in the fast growing e-commerce segment of the market. Nets controlled 85.8% of the shares in DIBS by the end of 2014.

Finally in December, Nets acquired 80% of Paytrail Oyj, a Finnish-based e-commerce payment service provider. The acquisition is part of Nets' strategy to strengthen our e-commerce offering further and, together with Paytrail, we are now in a position to facilitate payments for all merchants, providing advanced solutions across all retail channels.

Corporate Social Responsibility

As a company we fully recognise and respect the social impact we have in the societies around us, and continuously work to earn trust from our many stakeholders.

Nets' CSR efforts are based on the ten principles of the UN Global Compact and focus on our responsibilities in relation to human and labour rights, climate and environmental impact, supply chain management and community involvement. Our CSR vision is to make corporate social responsibility a natural part of the way we manage our day-to-day business operations.

Ethical conduct is the foundation of our corporate responsibility. In 2014, we updated our internal ethical guidelines, which are accessible through our website www.nets.eu. To support the implementation of these guidelines, we developed an e-learning programme, which is mandatory training for all Nets employees during 2015.

In 2015, we will aim for an even more open and direct communication on CSR – through a new public area on our website www.nets.eu. Our work within the four areas of our CSR strategy will continue, which includes further systemising our reporting on policy, actions and results.

The Nets CSR strategy

Nets' CSR strategy is based on four principles: human rights, supply chain management, community involvement and climate and environmental impact. Pursuing these principles, we have worked with the following specific activities in 2014:

Human rights

Nets regards diversity as an important requirement for a healthy, forward-looking company. We aspire to be an attractive workplace for everybody, and we try to ensure that men and women have equal opportunities for furthering their careers and securing management roles in the company.

We are committed to ensuring that colleagues are treated equally throughout their time with us, and we expect colleagues to treat each other with respect and embrace each other's differences – regardless of age, gender, disability status, sexual orientation, religion and ethnicity.

Currently, women are underrepresented compared with men, both on the Board of Directors and in management levels in general. On that basis, Nets has a general aim of increasing the number of women in the Board of Directors and in the management levels in general.

As of 31 December 2014, a total of 37 per cent female and 63 per cent male executives were employed in the top six layers of management in the Nets Group. Nets is aiming for an overall gender balance (40/60) of women and men in management positions and the Board of Directors has set out a policy for such an increase. The policy sets out specific targets to ensure diversity and equal opportunities and access to management positions for qualified men and women, such as:

- Focus to offer a sensible work/life balance to reconcile the demands of working life and family life
- Discussing managerial desires and ambitions in annual employee development interviews.

Nets' Board of Directors aims to include at least one female board member by 2017 bringing the company in line with Danish industry average. The objective with regard to gender diversity on the Board of Directors is not yet met. A new Board was elected as a consequence of the sale of the Group in July 2014 and members elected by the General Meeting are up for election every year at the Annual General Meeting. It is expected that this increase will occur through this natural replacement in the Board of Directors.

In 2014, we formalised Nets' policy on human rights by documenting our approach to human and labour rights.

Supply chain management

We recognise and commit to an increasing focus on corporate responsibility within our supply chain. Our policy on supply chain is included in all agreements between our suppliers and us. In cases where specific issues arise that require documentation, we work closely with our suppliers to handle these.

Community involvement

Nets made donations to selected charity organisations and projects in Norway, Denmark, Sweden, Finland and Estonia in 2014. We also continued our partnership with ISOBRO – the national umbrella organisation for fundraising charities in Denmark. We supported ISOBRO by providing more effective collection methods as well as training of organisational staff. In addition, we supported local initiatives in the communities where Nets' offices are located.

Climate and environmental impact

Nets aims to minimise our impact on the environment and achieve company cost efficiencies through efficient energy use, office waste recycling and paperless work environments. In 2014, we implemented a group-wide ISO14001 certified environmental management system. The system helps us to improve our environmental behaviour and regularly reports on our progress.

We have defined four climate and environmental targets towards 2020:

- Reduce CO_2 emissions caused by travel between our locations by 50 per cent
- Reduce energy consumption in buildings by 15 per cent
- Reduce paper used for internal printing by 15 per cent
- Reduce waste and ensure improved recycling.

We continue to work towards these targets and in 2014 our achievements included:

CO2 emissions

We reduced our CO_2 emissions by 1,643 tonnes in 2014 by substituting physical trips with video conferences. Compared to 2013, these savings have doubled. We will continue to work towards reducing our CO_2 emissions caused by travel in 2015.

Energy consumption

In 2014, the total consumption of electricity for operating our buildings has been further reduced and reached an index of 85 compared to 2012. This means we achieved our goal of a 15 per cent reduction in energy consumption.

Paper use & waste and recycling

Reporting will be available in 2015.

World-class real-time clearing

In the autumn of 2014, Denmark launched a new real-time clearing infrastructure for payment solutions. This is a world first. Nets has contributed to its development and implementation and is also responsible for the ongoing operation.

On 21 November 2014, Danish bank customers were given the opportunity for the first time to transfer money between bank accounts in real time. In practice, this means inter-account payments can now happen immediately, which is a significant improvement compared to before, when transfers were measured not in seconds but in whole or half banking days.

Real-time clearing is not restricted to the banks' hours of business, but is available 24/7/365. Danish bank customers will benefit from this in a number of ways, going forward. For example, in car sales, which often take place at weekends, the buyer and seller will now be able to conclude a transaction by mobile phone instead of waiting until the next working day. At least, if the car costs less than DKK 500,000, the current ceiling for a payment.

Satisfaction in the steering group

The introduction of real-time clearing in Denmark is the last step of a major modernisation of the Danish infrastructure for payment solutions, which began four years ago. This gradual modernisation has been developed in close collaboration between Denmark's central bank, the Danish banks and Nets, which is also the supplier and operator of other clearing systems for the banks.

On the very first day, more than 100,000 payments were made, and Niels Skylvad, regional director of Sydbank, who served as chairman of the steering group behind the development of real-time clearing, is delighted to see that the new infrastructure has fully lived up to expectations since its launch:

"We are delighted that, with all the parties working closely together, we have been able to reduce overall transaction time to a few seconds, and that the solution is working so well. The project was completed on time and on budget, and we can rightly be proud of that – especially when you consider the level of complexity and the number of parties involved.

We have an excellent working relationship with Nets, and I very much appreciate that. We got a good contract in place, on commercial terms, and throughout the rest of the process, Nets listened respectfully and demonstrated its willingness to accommodate the requirements set by the steering group."

A unique solution internationally

Niels Skylvad emphasises that it was vital to maintain a high level of ambition to ensure that the modernised infrastructure is robust, secure and capable of supporting payment solutions for a number of years to come:

"Measured by international standards, we have come up with a unique real-time clearing solution in Denmark. Now it is up to the players in the financial services sector to utilise this new infrastructure. Basically, it has the capability to carry all kinds of finan-

> "Thanks to close cooperation among all the parties, it has been possible to reduce the overall transaction time to a few seconds. The project was completed on time and on budget, and we can rightly be proud of that – especially when you consider the level of complexity and the number of parties involved"

Niels Skylvad, regional director at Sydbank, chairman of the steering group behind the introduction of real-time clearing in Denmark

cial messaging, so it will be exciting to watch this space for future developments. I'm convinced that it will be of enormous benefit in terms of the competitiveness of Danish banks, going forward. We already have some initial mobile payment solutions such as Swipp utilising the new infrastructure," according to Niels Skylvad.

All key competencies in play

At Nets, Helle Reiff Koggersbøl, Director for International Clearing Solutions, agrees that the new Danish infrastructure is by no means limited to real-time inter-account payments.

"We have invested a great deal of energy in this project, and it just goes to show how much can be achieved when we bring in all the key competencies available at Nets in the matter of payment solutions. One of the requirements we had to satisfy was to guarantee overall processing time by Nets of no more than 0.7 seconds per transaction, and we have no difficulty at all in complying with that," Helle Reiff Koggersbøl explains.

Export potential

Another distinctive aspect of the new Danish infrastructure is that it is based on international financial messaging standards. That is why this solution is definitely not limited to operating in the Danish market:

"We have designed this solution to be readily adaptable to specific conditions and requirements that apply in different countries. We are among the first to develop a solution of this type within the specifications of the international ISO 20022 standard, which lays down the ground rules for the exchange of financial services.

Generally speaking, the requirement for immediacy in the form of speed and instant access is very high on the agenda all over the world when it comes to payment solutions. That is a definite trend and expectation, and obviously Nets is monitoring it closely, too," Helle Reiff Koggersbøl concludes.

Our business, market and strategy

Direct and indirect go-to-market models

Nets is a business-to-business company, so we do not sell services directly to consumers. Our business models are guided by our 'digital values' - digital money, digital information and digital identity - and designed to drive economies of scale and scope.

We distinguish between direct and indirect go-to-market models. Our direct go-to-market models are used for:

- many of the digital information and digital identity services
- the Danish Nets-owned schemes, Betalingsservice and Dankort, where Nets sells services directly to the payee on behalf of the banks
- technical Payment Service Provider (PSP) deliveries
- Teller acquiring
- all services sold to banks as end customers.

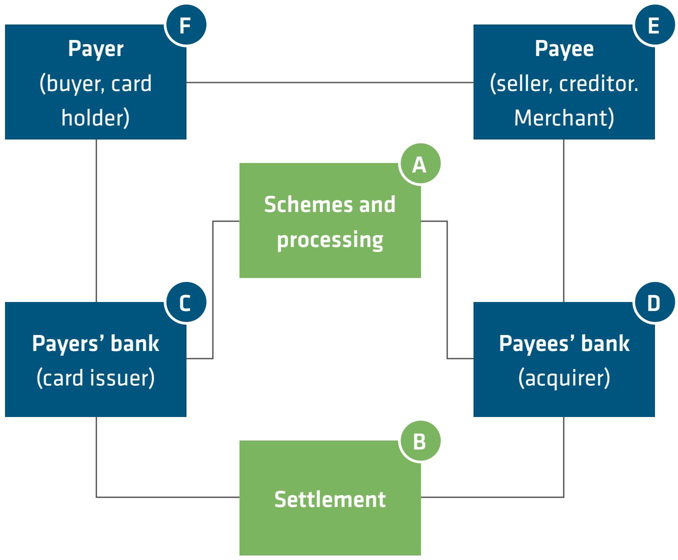
Our indirect go-to-market models are used for:

- other payment services than Dankort/Betalingsservice/Teller acquiring
- information services closely linked to payments such as e-invoicing in Norway.

Business model for digital payments

Nets delivers transaction and scale-based services in the traditional four-corner model:

A. Nets' scheme and processing services are transaction-based and delivered to or in cooperation with banks
B. Nets' clearing and settlement services are transaction-based and delivered to banks
C. Nets' services to payers' banks are mostly transaction-based
D. Nets' services to payees' banks are mostly transaction-based
E. Nets services to payees are both technical PSP solutions and acquiring services. The technical PSP business model is transaction-based, but also based on hardware sale or rental. The acquiring business model is payment volume-based.
F. Nets does not deliver services directly to payers, only indirectly through payers' banks.



Business model for digital information

Nets delivers digital information services closely linked to the four-corner model for payments. These are e-invoicing, reconciliation and registry services delivered to banks. The business model is mainly based on scale/transactions, but can also be usage-based.

Other digital information services can be delivered to any corporate customer and are mainly transaction-based.

Business model for digital identity

Nets operates e-identity services used by banks, the public sector and corporate customers in Norway and Denmark. The business model is mainly based on usage but also on fixed periodic cost.

Other digital identity services can be delivered to any corporate customer and are mainly based on usage, but can also be based on fixed periodic cost.

Market trends

A fast-moving industry

The payment industry in which Nets operates is evolving at an ever increasing speed – attracting interest from key customers, investors and media. We see six major trends affecting our industry. In response to these developments, we have set out the future direction of innovations in our business.

Digitisation and mobility

Banks and merchants want to establish a 360-degree digital relationship with their customers and serve them seamlessly across all channels (e.g. mobile, digital and social platforms). Their vision of delivering omni-channel services is driving their investment in modernising back-end platforms and data analytics to offer personalised products and advisory services. To ease merchant pains around Payment Card Industry (PCI) compliance and provide improvements to data security and e-commerce, there has been great interest in the tokenisation of card payments. We also noted that more banks and merchants have started to re-use the millions of digital identities already managed by Nets for document signing, thereby removing slow and costly paper-intensive business processes. Many large Nordic banks have also begun to partner with niche technology players within mobile and e-commerce to penetrate the small- and medium-sized enterprise (SME) markets, that still remain paper and cash heavy.

Security

Tokenisation refers to the process of substituting sensitive data (e.g. a primary account number (PAN) or a social security number) with a non-sensitive equivalent, known as a token. The global schemes revealed a specification on standards for EMVco payment tokenisation in March 2014. Tokenisation of payments reduces the risk of fraud in e- and m-commerce, and will most likely result in an increase in these types of transactions. Non-payment tokens are already widely used e.g. for Nets' support of e-receipts. We have also noted many Host Card Emulation (HCE) mobile payment solutions using tokens in one form or another. Tokenisation is expected to boost mobile payments using HCE by mitigating the lack of hardware-based security (local secure element). The domestic card payment schemes in Norway and Denmark are currently assessing tokenisation.

Alternative payments

Alternative payments refer to new payment instruments that use existing account or card infrastructures, but appear as a new payment method to consumers. Person-to-person (P2P) payment methods such as MobilePay (based on the existing card infrastructure) and Swipp (based on account infrastructures) are examples of P2P payment solutions – as well as Apple Pay when it arrives in the Nordic region. We also see a strong increase in the demand for non-card alternative payments e.g. invoice-based payments for e-commerce merchants and even crypto-currencies (BitCoin launched its wallet solution in Finland and 12 other countries in Europe). The number of payment solutions will continue to grow, further fragmenting the market over the next five years before some consolidation takes place. Bank-driven P2P solutions – particularly in Denmark – will extend their reach in the retail segment and will become omni-channel.

Single Euro Payments Area (SEPA) payments

The October 2016 deadline for SEPA credit transfer and direct debit for non-euro area countries (i.e. Denmark, Sweden and Norway in the Nordic region) has prompted banks to prepare their systems, and choose suppliers and technology platforms. Some banks have connected their SEPA initiatives to their broader payment platform modernisation initiatives. In the long-term (5-10 years) the domestic payment formats that dominate the payment volumes are expected to move to ISO 20022.

New regulations (PSD2, MIF)

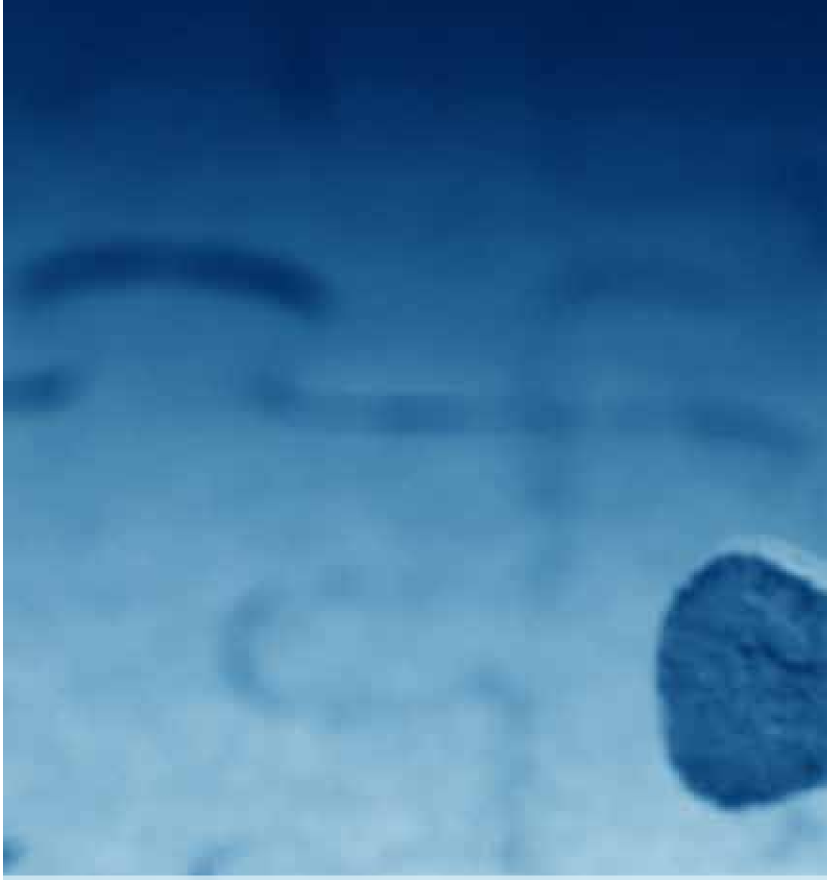
The steady opening up of closed and diverse national payment markets means more innovation, and greater need for efficiency. Banks charge a Multilateral Interchange Fee (MIF) and merchants will benefit from the upcoming MIF Regulation which will impose a cap on the transaction fee. The upcoming MIF Regulation will furthermore open up the payment markets as payees shall be free to choose which of the co-badged payment schemes payees want to use at the point of sale. The Payment Services Directive 2 (PSD2) will effectively open the existing payment infrastructure as it will allow third-party service providers to access bank accounts. The legislative procedure in relation to both the upcoming MIF Regulation and the upcoming PSD2 is still ongoing.

Strategic alliances and consolidation

Interest in European payments peaked in 2014 with the venture capital investments in the payments business reaching an all-time high. The majority of these investments have gone to niche non-bank players who have little (and very often no) legacy – allowing them to swiftly move to the payments value chain at the front-end (merchant services, P2P payments, etc.). In the Nordic region, we noted many of these non-bank players partnering with the well-established incumbents, banks and payment providers. Partnerships such as these have helped smaller players gain access to hundreds of thousands of merchants and millions of end users from the incumbents, who, in turn, benefited from reduced time to market on new electronic and mobile offerings. As the battle for merchants and consumers gathers momentum, we expect many more alliances between incumbents and niche players. While the majority of alliances took place at the front-end of payments, alliances at the back-end remained dominant.

Four strategic focus areas

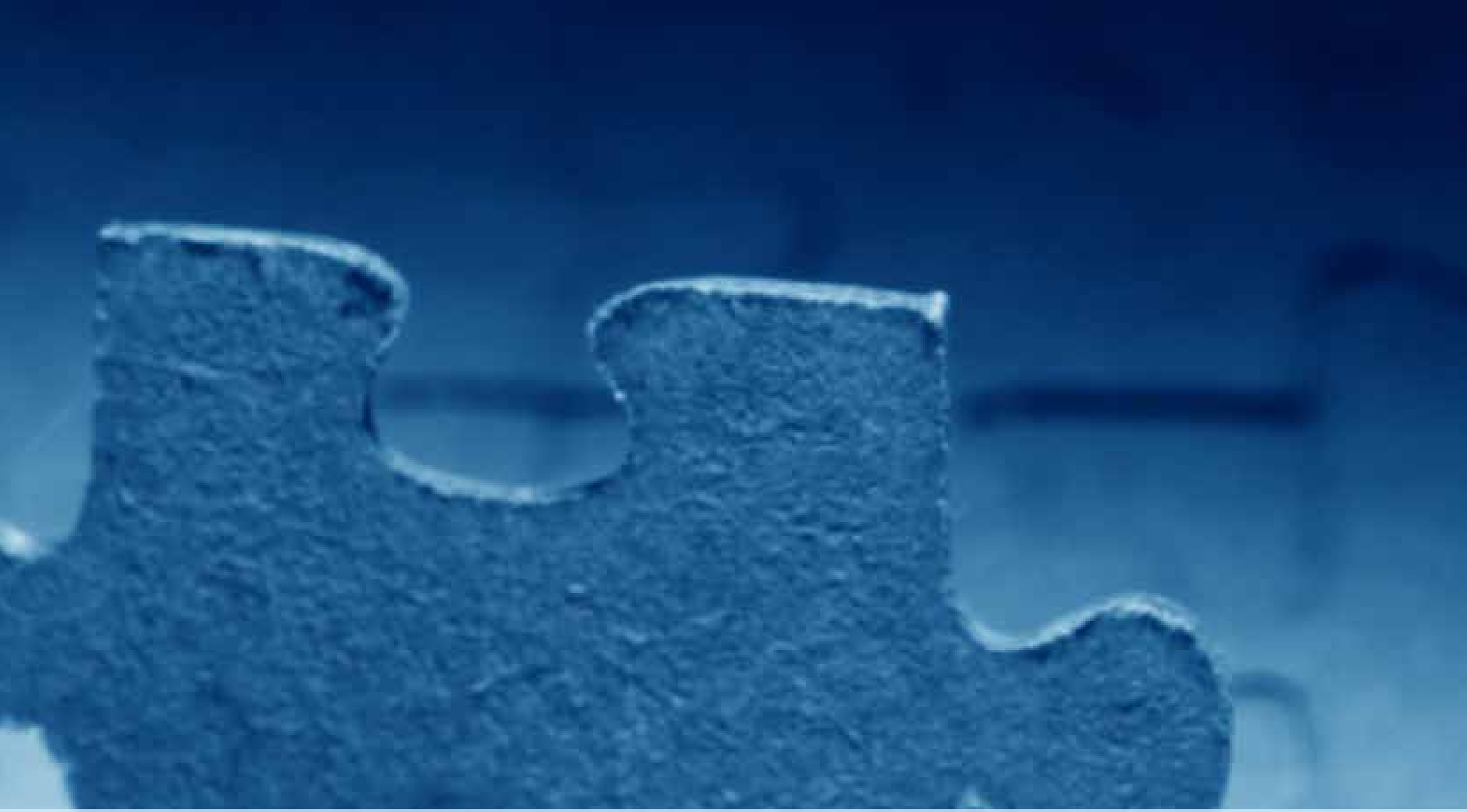
Nets' position in the Nordic region makes us uniquely positioned to drive innovation and value creation in relation to 'digital values'. As we continue to lay the foundation for the next phase in our strategic development, we have outlined four key areas where we must excel in order to deliver superior value to our customers and shareholders.



1 Customer orientation

In the years to come we want to further improve our customer and commercial focus. This customer- and market-oriented approach represents a shift for Nets where we will have a stronger focus on growth, based on an efficient delivery platform and an operating model that allow us to support our customers as they expand and request new and improved services from Nets.

Supported by our new owners, we will be allocating the necessary resources to achieve this and to secure our position as a trusted and reliable provider and partner for our customers in Norway, Denmark, Sweden, Finland and the Baltic region.



2 Operational excellence

Nets wants to realise the benefits of its scale. The more transactions we handle, the more efficiently we can operate in terms of delivering the price and quality that our customers expect. Economies of scale also allows for investments in the development of new solutions and technologies.

We will continue to develop our organisation so that we operate in the most efficient and cost-effective manner. This will enable us to be more responsive towards our customers and more efficient in offering new solutions that address both merchant and consumer needs.

3 Customer-centric IT development

Nets will in the years to come continue our focus on time-to-market and agility to expand and grow faster than the competition. This requires increased investments in research, product development and service innovation.

In addition to internal developments and innovation, we are committed to renewing and supplementing our service portfolio. This means that we review offerings in the surrounding market so that we can meet and exceed the expectations of our customers.

4 Nordic first

Nets wants to remain the partner of choice for Nordic banks – as the developer of innovative technological solutions and a trusted partner of business-critical outsourced activities and processes.

To support our ambition for growth, we will expand our presence in the Nordic region, paying special attention to growth opportunities in Sweden and Finland. We also wish to strengthen our position in all merchant-facing products and solutions. In this segment, we can expect higher growth rates and there are opportunities to invest and leverage technology to provide more advanced and sophisticated value-added services and solutions to customers.

A year of organisational change

2014 was a year representing many changes to our organisation. In the coming year, we will continue to build Nets as a great company that delivers results above the industry average. We want to build a great place to work with an admired organisation with world-class capabilities.

To support the organisational development and to strengthen Nets' culture, we have defined initiatives within four key programmes: 'Performance management', 'Talent management', 'Competence development' and 'Cultural change' – all of which will help our company become more commercial and performance-driven.

Performance management

In 2014, the target was to achieve excellence in the execution of the performance management process. The focus has been on enhancing the quality of objective-setting and performance dialogues, and the broad understanding of the importance of this key management process in terms of Nets' performance.

To improve understanding of the performance management process, workshops and e-learning programmes have been developed and implemented, focusing on processes and tools and defining SMART objectives.

Talent management

In 2014 we conducted a talent review of our managers, giving us a clear impression of Nets' talent pipeline. The review resulted in the identification of performance and potential categories, the establishment of succession plans, and the identification of a number of business-critical positions across the organisation. Finally, 2014 saw the development of a number of initiatives to support the streamlining of the processes, tools and on-boarding programmes we use to welcome new employees to Nets.

Competence development

Building leadership and employee skills are of key importance. Our business is complex and requires highly skilled, motivated and accountable people who can deliver services that meet our customers' needs. To boost skills, we focused on a number of different programmes in 2014.

For leaders, programmes were developed and delivered in relation to 'First-Time Leadership', 'Managing Conflict', 'Leading Change', 'Coaching & Feedback', 'HR Processes' and the 'LEAD2ACT' strategic leadership programme.

For employees, development courses were delivered within the Project Academy, Sales Academy and Language Academy. Also, a completely new Nets Security Training framework was developed and delivered, targeting leaders and employees to strengthen their awareness of security and behaviour within Nets.

Cultural change

The Nets Code is a central part of our company culture. It comprises three overall company values known as ACT: Accountable – Customer-driven – Together. To support the implementation of the Nets Code, the ACT ambassadors programme continued from 2013 until the autumn of 2014. In addition, we designed and delivered a number of culture-focused workshops for teams. They centred on building high-performance teams, helping teams become better at living by ACT, improving performance and behaviours through giving and receiving feedback, and strengthening skills in conflict management.

Security first

The Nets Group operates in a highly complex market, characterised by complex technology and changing business environments. The market, combined with Nets' digital orientation and services, makes our company liable to a broad range of risks.

Given that risks in our industry may have significant reputational and economic impact, we monitor internal processes and external developments very closely. With the external risk scenario changing all the time, we have a clear course of action in place to manage the variety of risks we might be exposed to.

Risk governance framework

Compliant, secure and stable operations are at the core of Nets' business and they are constantly in focus throughout the organisation. Nets' Risk and Security Management's objective is to enable our customers to be secure when using Nets' systems and services.

Governance of risk is rooted in Nets Holding A/S' Board of Directors, who have the overall responsibility for the Nets Group's security. The Audit Committee oversees the management of risk, compliance and security in Nets on behalf of the Board.

Business and group unit executives present and discuss relevant risks at monthly reviews with senior management representatives. All material risks are reported to the Nets Group's Risk Committee, which ensures pan-organisational evaluation of risk and quarterly reporting to the Audit Committee and Executive Committee.

Effective risk response

We have developed a Group-level risk management framework for strategic, financial and operational risks. This framework allows us to identify and analyse risks, make well-informed risk response decisions and control risk mitigation actions.

The Nets Risk Management function ensures that the management of risk is integrated into all of Nets' processes, systems and organisational structures and performed by all employees. Risk Management delivers knowledge, frameworks, workflows and tools to support risk reporting to all relevant stakeholders.

Three lines of defence

As our main governance principle, we follow three lines of defence to enhance the management of risk and internal controls. This model is used to structure roles, responsibility and accountability for decision-making concerning risk and controls, and to ensure good relationship and communication between the three lines.

Risk ownership and treatment

Risk ownership and treatment sit in the business and group units that manage risk on a daily basis. We have appointed assurance responsible managers in the units who are responsible for identifying, managing, measuring, reporting and monitoring risks.

We carry out annual risk assessments on business services, systems, platforms and operating centres, and decisions concerning new threats and vulnerabilities.

To ensure continuity of service provisioning and stable operations, Nets has a Group-level business continuity management framework. Critical systems have disaster recovery plans, which are regularly tested in cooperation with our customers and suppliers. Due to our role as a critical infrastructure service provider in local societies, we also participate in national crisis rehearsals

Financial risk management

Financial risk management is conducted as a second line of defence. It focuses on how financial matters may pose a risk to the Nets Group. The financial risks affecting Nets are defined as exchange rate, credit, interest, market, liquidity, and counterparty risk. They arise as a result of Nets' operation and cross-border settlement activities; the inherent credit exposure (due to acquiring and issuing business); our central role in facilitating intra-bank payments; and the management of our own funds, portfolios and balances.

Systems processing cardholder data are certified in accordance with mandatory standards such as the Payment Card Industry Data Security Standard (PCI DSS). The overall security framework is based on the Information Security Forum's (ISF) Standard of Good Practice and aligned with ISO standards, national operational risk management regulations, PCI DSS and the Control Objectives for Information and Related Technology (COBIT). General IT controls are audited by external independent system auditors each year, and the ISAE3402 Assurance Report on the description of controls and their design and operating effectiveness, is delivered to clients according to agreements.

Nets fights identity theft and card fraud risks at a national and international level. We launch and support initiatives designed to prevent fraudulent usage of our products and our customers' payment products. These initiatives have already significantly reduced the amount of fraud loss suffered by customers and Nets.

In 2013, a new Distributed Denial-of-Service (DDoS) defence protection shield was introduced. This shield has shown its effectiveness on several occasions during 2014, and has kept Nets' systems operational during DDoS attacks with a very limited impact on Nets' system users.

In 2014, we developed and delivered a new Nets Security Training framework, incorporating classroom and e-learning training, which helps leaders and employees to strengthen their awareness of security and behaviour within Nets.

Nets moves ahead in European parking market

Nets has become one of the leading suppliers of certified Europay, MasterCard and Visa solutions to the parking sector in the Nordic region – a position obtained through three years of strategic collaboration with SWARCO, our largest partner in the sector.

"Successful cooperation with Nets across its units and disciplines has been vital," says Odd Melgård, Manager of Business Unit Parking, SWARCO.

"Our common customers should experience quality, innovation, security and being oriented towards the future. This has been fundamental to us at SWARCO in deciding to enter into cooperation with Nets. As a market leader in our market segment, it was crucial for SWARCO to choose a payment services player which was well-established and confident of its own solutions and which has the openness for providing good dialogue for development and innovation."

PCI-compliant cross-border parking solution

Up to now, the close relations between SWARCO and Nets have resulted in the development of a generic PCI-compliant cross-border parking solution on the Viking platform, with uniform Ingenico hardware and Nets software. Nets has entered a reseller agreement with SWARCO in the Nordic countries, which implies that SWARCO serves as service provider and single point-of-contact for parking operators. Also, SWARCO handles installations, field services and product testing at a testing laboratory. Since 2011, approximately 2,000 unattended terminals have been delivered in the Nordic countries as a result of the Nets/SWARCO cooperation.

Nets' role as PSP (Payment Service Provider) opens up for the utilisation of services such as e-receipt, discount schemes, vouchers and gift certificates – services that add value to the generic payment solution. In 2014, Nets extended the offerings to the parking sector by introducing contactless hardware, online subscription services and a keytag solution as an alternative to the existing standard chip usage. Nets' Nordic parking solution accepts international credit and debit cards as well as national schemes such as BankAxept and Dankort.

Moving from offline to online solutions

"One of the big challenges of going all in for quality and innovation is getting customers to appreciate the necessity of this. The sector itself has spent a long time implementing this platform change from offline to online and attending to users' card information. We continue to see that there are several offline and non-PCI certified solutions operating in the market, but we are also seeing an obvious shift towards focusing on opportunities, rather than obstacles, through the technology deliverable by SWARCO and Nets.

"Another challenge is the substantial intensification of accessibility requirements for our services resulting from the provision of such online solutions. The uptime requirements are virtually 100% at any time, which is radically different from the situation for offline solutions just a few years ago. And this has also further tightened the cooperation between our customers, SWARCO and Nets," explains Odd Melgård.

One of the biggest shifts ever within paid parking solutions

The Nets/SWARCO cooperation has aroused interest in the market, and Nets has been contacted by prospective customers and major players in the European parking industry, mainly due to Nets' ability to deliver an overall, acquirer-independent solution that includes uniform hardware and software. As a result, Nets and SWARCO are currently in dialogue with key European players in the sector.

"Our cooperation has led to one of the biggest technological changes in the field of paid parking ever seen. It is almost a paradigm shift for our sector. SWARCO's advantage of cooperating with Nets in this manner is that we now have access to technology and solutions which have enabled us to manage our customer needs for secure, fast, simple and future-oriented payment solutions. The fact that we have made such great inroads into the world of online parking payment services in our parking systems makes us feel confident that we must continue our development process a step ahead of the market and our competitors," concludes Odd Melgård.

Excellent internal cooperation

"Nets' generic parking solution can be used in any country, but with national adjustments to comply with national debit card schemes and legislation. Nets' strength is its ability to offer a coherent solution, the Viking platform's interface, integration and operation of PSP. Nets can also add in-house resources for development and customisation of the solutions," says Rune Marcussen, Senior Partner Manager, Nets:

"This project has required substantial development costs and resources, but we currently see successful deployment and installations in Scandinavia. Nets gains access to new customers through the reseller agreement with SWARCO, and we are now in dialogue with other major European players. Nets' successful entry into the parking market is made possible by means of excellent internal cooperation between disciplines and units in Nets. This cooperation should be a model for future cross-unit projects in Nets."

> "Successful cooperation with Nets across its units and disciplines has been vital"

Odd Melgård, Manager of Business Unit Parking, SWARCO

Nets Financial Statements 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 2014.

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 as at 31 December 2014, the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2014.

In our opinion, the Management's 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 by the Annual General Meeting.

Ballerup, 24 March 2015

Executive Management:

Bo Nilsson
CEO

Board of Directors:

Inge K. Hansen
Chairman

James Brocklebank

Humphrey Battcock

Robin Marshall

Luca Bassi

John Helmsøe-Zinck

Lars M. Haga

Ove Kolstad

Frank A. Olsen

Ulrik R. Thomsen

Independent auditor's 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 2014. 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 2014 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 2014 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, 24 March 2015

Ernst & Young
Godkendt Revisionspartnerselskab

Anders Duedahl-Olesen
State Authorised Public Accountant

Thomas Bruun Kofoed
State Authorised Public Accountant

Consolidated income statement

(DKKm)	Note	2014	2013
Revenue, gross	2,1	8,607	8,686
Interchange fees and processing fees	2,1	-2,061	-1,959
Revenue, net		**6,546**	**6,727**
Cost of sales		-1,081	-1,157
Gross profit		**5,465**	**5,570**
External expenses		-2,138	-2,071
Staff costs	2,3	-2,075	-2,175
Operating profit before depreciation and amortisation (EBITDA)		**1,252**	**1,324**
Depreciation, amortisation and impairment losses	4,2 & 4,3	-408	-448
Operating profit (EBIT)		**844**	**876**
Profit from associates after tax	4,5	13	6
Profit from divestment of business	4,6	45	-
Financial income	5,3	82	111
Financial expenses	5,3	-51	-86
Net financials		**89**	**31**
Profit before tax		**933**	**907**
Income taxes	6,1	-281	-294
Net profit for the year		**652**	**613**
Profit is attributable to:			
Owners of Nets Holding A/S		656	613
Non-controlling interests		-4	-
		652	**613**

Consolidated statement of other comprehensive income

(DKKm)	Note	2014	2013
Net profit for the year		652	613
Other comprehensive income:			
Items that will not be reclassified subsequently to the consolidated income statement:			
Actuarial losses on defined benefit pension plans	7,1	-11	-13
Tax		3	4
Total items never reclassified to the consolidated income statement		**-8**	**-9**
Items that will be reclassified subsequently to the consolidated income statement, when specific conditions are met:			
Currency translation adjustments, foreign enterprises		-83	-148
Net loss on cash flow hedges		-15	-
Total items that may be reclassified to the consolidated income statement subsequently		**-98**	**-148**
Other comprehensive income for the year, net of tax		**-106**	**-157**
Total comprehensive income for the year, net of tax		**546**	**456**
Total comprehensive income for the year is attributable to:			
Owners of Nets Holding A/S		550	456
Non-controlling interests		-4	-
		546	**456**

Consolidated balance sheet as at 31 December

(DKKm)	Note	2014	2013
Assets			
Non-current assets			
Goodwill	4,2	1,318	719
Other intangible assets	4,2	1,164	1,017
Plant and equipment	4,3	278	310
Investment in associates	4,5	24	22
Deferred tax asset	6,1	97	76
Total non-current assets		**2,881**	**2,144**
Current assets			
Inventories	3,1,1	84	131
Trade and other receivables	3,1,2	702	645
Clearing related assets	3,2	5,092	5,037
Prepayments		184	221
Securities		-	585
Cash and cash equivalent	3,3	2,159	2,374
Assets held for sale	4,6	-	592
Total current assets		**8,221**	**9,585**
Total assets		**11,102**	**11,729**
Equity and liabilities			
Equity			
Share capital	5,1	184	184
Reserves	5,1	2,161	2,108
Equity, owners of Nets Holding A/S		**2,345**	**2,292**
Non-controlling interests		21	15
Total equity		**2,366**	**2,307**
Non-current liabilities			
Borrowings	5,2	635	988
Pension liabilities, net	7,1	69	71
Deferred consideration for business combinations	4,1	21	-
Deferred tax liabilities	6,1	139	115
Total non-current liabilities		**864**	**1,174**
Current liabilities			
Borrowings	5,2	1,506	480
Trade and other payables	3,1,3	1,312	1,138
Clearing related liabilities	3,2	4,902	6,411
Current tax liabilities		152	166
Liabilities associated with assets held for sale	4,6	-	53
Total current liabilities		**7,872**	**8,248**
Total liabilities		**8,736**	**9,422**
Total equity and liabilities		**11,102**	**11,729**

Consolidated statement of cash flows for the year ended as at 31 December

(DKKm)	Note	2014	2013
Operating profit (EBIT)		844	876
Depreciation, amortisation & impairment losses	4,2 & 4,3	408	448
Other non-cash items		-19	44
Change in narrow working capital	3,1	173	-55
Change in clearing related balances	3,2,1	-1,564	6
Net cash from operating activities before financial items and tax		**-158**	**1,319**
Settlement of pension obligation paid		-7	-11
Interest and similar items, net		7	19
Tax paid	6,1	-318	-265
Net cash from operating activities		**-476**	**1,062**
Purchase of intangible assets	4,2	-264	-170
Purchase of plant and equipment	4,3	-139	-157
Proceeds from sale of plant and equipment		2	33
Proceeds from sale of investments		660	-
Purchase of investments	4,1	-731	-
Payments for currency hedge		-15	-
Proceeds/(payments) for securities		597	129
Dividends received	4,5	10	15
Net cash from investing activities		**120**	**-150**
Proceeds from borrowings		635	-
Proceeds from Asset Backed Loan		1,068	-
Repayment of borrowings		-1,000	-
Dividends paid		-498	-498
Net cash flows from financing activities		**205**	**-498**
Net cash flow for the year		**-151**	**414**
Cash and cash equivalents as at 1 January		1,894	1,540
Exchange gains/(losses) on cash and cash equivalents		-17	-60
Cash and cash equivalents as at 31 December	**3,3**	**1,726**	**1,894**

Consolidated statement of changes in equity as at 31 December

(DKKm)	Share capital	Hedge reserves	Currency translation reserves	Retained earnings	Proposed dividends	**Equity, owners Nets Holding A/S**	Non-controlling interests	**Total equity**
2014								
Equity as at 1 January	184	-	-84	1,694	498	**2,292**	15	**2,307**
Net profit for the year	-	-	-	656	-	**656**	-4	**652**
Other comprehensive income for the year								
Actuarial losses related to defined benefit pension plans	-	-	-	-11	-	**-11**	-	**-11**
Tax	-	-	-	3	-	**3**	-	**3**
Currency translation adjustments, foreign enterprises	-	-	-82	-	-	**-82**	-1	**-83**
Net loss on cash flow hedges		-15	-	-	-	**-15**	-	**-15**
Other comprehensive income for the year	-	-15	-82	-8	-	**-105**	-1	**-106**
Total comprehensive income for the year	**-**	**-15**	**-82**	**648**	**-**	**551**	**-5**	**546**
Non-controlling interests from business combination	-	-	-	-	-	**-**	11	**11**
Distributed dividends	-	-	-	-	-498	**-498**	-	**-498**
Proposed dividends	-	-	-	-498	498	**-**	-	**-**
Total changes in equity	**-**	**-15**	**-82**	**150**	**-**	**53**	**6**	**59**
Equity as at 31 December	**184**	**-15**	**-166**	**1,844**	**498**	**2,345**	**21**	**2,366**

Consolidated statement of changes in equity as at 31 December

(DKKm)	Share capital	Hedge reserves	Currency transla- tion reserves	Retained earnings	Proposed divi- dends	**Equity, owners Nets Holding A/S**	Non- con- trolling interests	**Total equity**
2013								
Equity as at 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								
Actuarial losses related to defined benefit pension plans	-	-	-	-13	-	**-13**	-	**-13**
Tax	-	-	-	4	-	**4**	-	**4**
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 as at 31 December	**184**	**-**	**-84**	**1,694**	**498**	**2,292**	**15**	**2,307**

Management commentary

With the aim of providing enhanced information and a better understanding of the Group's financial results, position and cash flows, the notes to the consolidated financial statements for the period ended 31 December 2014 have been structured into key themes. Further, to provide additional context to the IFRS financial statements and disclosures, narrative comments have been placed adjacent to the disclosures in the relevant theme section. The notes are presented in the following themes:

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

Contained within the narrative comments information is financial analysis which is used by Management in the monitoring of the business. These non-GAAP measured are separately identified in the notes to the financial statements; a definition is provided along with a reconciliation of how the measure is derived from IFRS financial statements and disclosures.

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

Section 1: Basis of preparation

This section contains information that is pertinent to the financial statements as a whole, including:

- Information on the accounting framework applied in their preparation;

- How Management has distinguished information of interest to users of the financial statements from information which is not considered to have an impact on users' decision-making, and how this translates into the content of these financial statements;

- Accounting policies which relate to the financial statements as a whole rather than being specific to a theme section;

- A summary of the key estimates and judgements which Management has made in the preparation of the financial statements, together with a cross reference to where further information on each of these items can be found.

1.1 Application of materiality

In the preparation of these consolidated financial statements, an evaluation of what information is considered relevant and useful has been performed by Management. With the aim of providing consolidated financial statements which enable users to more clearly focus on issues which are considered important for decision-making purposes, certain measures have been undertaken to remove immaterial clutter, including:

- Aggregating immaterial line items on the primary statements (income statement, balance sheet and statement of cash flows);

- Moving disaggregated items from the primary statements to the Notes;

- Including disclosure requirements of accounting standards only to the extent they are material to the Group.

1.2 Basis of preparation

The basis of preparation relates to the accounting framework which Management has applied in the preparation of the consolidated financial statements of Nets Holding A/S. International Financial Reporting Standards (IFRS), as adopted by the European Union, and additional Danish disclosure requirements have been applied in the preparation of these consolidated financial statements.

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

- EBITDA before special items

The Company is incorporated and registered in Denmark, and the functional currency at the parent company and the presentational currency of the Group is Danish kroner (DKK). All values are rounded to the nearest million, except when otherwise indicated. The accounting policies described in the financial statements have been applied consistently in each of the periods presented.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value.

1.3 Summary of key accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires Management to make assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the financial period. Estimates and judgements used in the determination of reported results are continuously evaluated, and are based on historical experience and on various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

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

- Special items (Note 2.2)
- Business combinations (Note 4.1)
- Useful life of customer agreements (Note 4.2)
- Recoverable amount of goodwill and capitalised development projects (Note 4.4)
- Defined benefit plans (Note 7.1)
- Tax (Note 6.1)

1.4 Changes in accounting policies and disclosures – New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014.

None of these amendments have had material impact on the Group. A summary of standards issued but not yet effective is included in Note 7.3.

Accounting policies pervasive to the consolidated financial statements

1.5 Basis for 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 is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Potential voting rights are included in the assessment of whether the Group has power over an entity. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date on which the Group obtains control or up to the date on which the Group ceases to have control, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

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

1.6 Foreign currency translation

Functional and presentational currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial information is presented in Danish kroner (DKK), which is also the functional and presentational currency of the parent company.

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

Translation of transactions and balances

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

Translation of Group companies

Financial information of foreign subsidiaries is translated into 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 statement 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.

Section 2: Earnings

This section contains disclosure information related to the revenue, staff costs and earnings development of the Group. This section also discloses information regarding foreign currency exposure.

The Group has the ambition to position as the leading player in payment services and technology based outsourcing to the financial institutions in the Nordic region. In order to fulfil its strategic vision the group is focused on expanding geographically (Sweden and Finland) and across the payment value chain. Aligned with this, information in this section highlights the allocation of the Group's revenues by geography and business unit.

The earnings measure included in this section includes adjustments made by Management to the IFRS reported EBITDA for the purpose of evaluating the underlying performance of the Group. A reconciliation and explanation of these adjustment items is included in Note 2.2.

Note 2.1 Revenue

Significant accounting policies

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.

Revenue from the sale of products is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of products is measured at the fair value of the consideration received or receivable, net of returns and allowances.

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

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

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

Interchange fees and processing fees

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

Note 2.1 Revenue (continued)

(DKKm)	2014	2013
Gross revenue per transaction type		
Terminal revenue	764	786
Information and transaction services	7,388	7,478
Other services	455	422
Total	**8,607**	**8,686**
Gross revenue per business area		
Financial Services	1,899	1,966
Sector Services	3,406	3,247
Merchant Services	3,302	3,473
Total	**8,607**	**8,686**
Net revenue per business area		
Financial Services	1,858	1,914
Sector Services	3,001	2,953
Merchant Services	1,687	1,860
Total	**6,546**	**6,727**
Gross revenue per geografic area		
Denmark	3,777	3,838
Norway	2,638	2,662
Finland	1,255	1,443
Other countries	937	743
Total	**8,607**	**8,686**

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 include activities in legal entities in Sweden and Estonia.

Note 2.2 Costs and Special items

Significant accounting policies

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

External expenses
External expenses incurred in generating the revenue for the year comprise IT operation, operating leases for software, loss and fraud, maintenance and development costs that do not qualify for capitalisation, lease expenses and other marketing, sales and distribution costs. Immaterial other gains and losses of a nature secondary to the main activities of the Group are recognised within external expenses.

Special Items
Special items are costs or income that are recognised in the income statement which cannot be attributed directly to the Group's ordinary activities. Such costs and income include the cost of extensive restructuring or processes and fundamental structural adjustment. They are therefore separately disclosed to allow a more comparable view of underlying trading performance.

Key accounting estimates and judgements

The use of special items entails management judgement in the separation from other items in the income statement. Management carefully considers such changes in order to ensure the correct distinction between the operating activities and restructuring of the Group carried out to enhance the future earnings potential.

(DKKm)			2014				2013
Operating profit before depreciation and amortisation *(EBITDA)*			**1,252**				**1,324**
	External expenses	Staff costs		Cost of sales	External expenses	Staff costs	
Special items							
Re-organisation and restructuring costs	3	106	**109**		70	**100**	**170**
Costs associated with business set-ups, acquisitions and disposals	168	13	**181**	-	**-**	-	**-**
Transformation programme	124	-	**124**	-	**-**	-	**-**
Other costs	13	-	**13**	19	**12**	-	**31**
Other income	-16	-	**-16**	-	-	-	**-**
Total special items	**292**	**119**	**411**	**19**	**82**	**100**	**201**
Operating profit before depreciation and amortisation (EBITDA) before special items			**1,663**				**1,525**

Reorganisation and restructuring costs
Costs of reorganisation and restructuring amounted to DKK 109 million (2013: DKK 170 million) and mainly include costs related to termination of employees as part of making Nets more cost-efficient and competitive in meeting the strategy of being operational excellent.

Costs associated with business set-ups, acquisitions and disposals
Costs associated with business set-ups, acquisitions and disposals amounted to DKK 181 million (2013: DKK 0 million) and mainly include costs to external advisors as part of the sale of the Nets Group.

Transformation programme
Costs of transformation programmes, mainly external management consultants, amounted to DKK 124 million (2013: DKK 0 million) and include costs to put Nets in the best position to continue to achieve the growth plans in our strategy Future Nets.

Other costs and income
Other costs and income, DKK -3 million (2013: DKK 31 million) net, consist of other items which Management believes, due to their nature, should be disclosed separately to give a more comparable view of the year-on-year underlying trading performance. Costs included during the year mainly consisted of costs related to the Se & Hør case and a gain from divestment of the cardholder receivables portfolio. In 2013 the main items included special inventory write-downs.

Note 2.3 Staff costs

Significant accounting policies

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 the Group.

(DKKm)	2014	2013
Staff costs		
Wages and salaries	1,676	1,704
Pensions - defined contribution plans	188	190
Pensions - defined benefit plans - reference Note 7.1	7	5
Other social security contributions	118	121
Other employee costs	167	165
Total staff costs for the year	**2,156**	**2,185**
Employee costs included in development projects	81	10
Total staff costs expensed in the income statement	**2,075**	**2,175**
Actuarial losses recognised in other comprehensive income	11	13
Total staff costs expensed in the consolidated statement of comprehensive income	**2,086**	**2,188**
Average number of full-time employees	2,688	2,682
Year-end number of full-time employees	2,698	2,578

Information about remuneration to Group Management and the Board of Directors is disclosed in Note 6.2

Note 2.4 Foreign currency exposure

Foreign currency risk management

Transaction risk

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 considered low, given the de facto fixed rate policy the Danish Central Bank has maintained since the beginning of the euro currency. The Group has only minor exposure to currencies other than those mentioned above.

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

Business activities

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

Group assets and liabilities

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

- 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 – in 2013 the Group held investments in highly liquid marketable securities;
- Cash at bank – the Group has cash at bank which is in different currencies relevant to underlying card clearing structure. This and the Group's own cash are not being hedged;
- Borrowings – the Group has term loans denominated in euro and Swedish kroner (see Note 5.2 for further information).

Foreign exchange sensitivity analysis

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

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

(DKKm)		2014	2013	2014	2013
	Probable change in currency	**Revenue**		**EBITDA**	
NOK	10%	228	227	67	52
SEK	10%	20	20	3	0
EUR	1%	9	9	1	19

A probable change in the following currencies against the currencies as at balance sheet date, would have the following hypothetical impact on profit before tax and the groups equity, based on the exposure of balances in foreign currency.

(DKKm)									
Exposure of balances in foreign currency	Cash and cash equiva-lents	Securi-ties	Receiv-ables[1]	Borrow-ings	Liabili-ties[2]	**Net assets**	**Probable change in currency**	**Hypo-thetical impact on profit before tax**	**Hypo-thetical impact on equity**
2014									
NOK	1,236	-	818	-9	-1,653	**392**	**10%**	**0**	**39**
SEK	50	-	911	-290	-359	**312**	**10%**	**-33**	**31**
EUR	**843**	**-**	**1,956**	**-1,642**	**-1,439**	**-282**	**1%**	**8**	**-3**
Total	**2,145**	**-**	**3,685**	**-1,941**	**-3,451**	**438**			
2013									
NOK	675	262	1,209	-	-1,966	**180**	**10%**	**3**	**15**
SEK	47	-	548	-148	-165	**282**	**10%**	**2**	**50**
EUR	966	171	2,989	-16	-2,843	**1,267**	**1%**	**1**	**9**
Total	**1,717**	**433**	**4,772**	**-164**	**-4,975**	**1,783**			

[1] Receivables include settlement assets and cardholder related balances.
[2] Liabilities include settlement obligations and merchant creditor.

A large part of the balances in foreign currency is naturally hedged by the underlying business activities.

Exchange rate DKK per 100%		**2014**			**2013**	
Key currencies	NOK	SEK	EUR	NOK	SEK	EUR
Average	89.29	81.99	745.49	95.69	86.24	745.80
End of year	82.32	78.56	744.36	88.54	83.56	746.03
Year-end change	-7.0	-6.0	-0.2	-12.9	-4.1	-0.0

Section 3: Working capital

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

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

Clearing related balances comprises the aggregate of receivables from cardholders and settlement assets less the aggregate of merchant creditors, settlement obligations and prepayments from cardholders, as these balances have a tendency to off-set each other, except for receivables from cardholders. However, Management has limited ability to influence the working capital of clearing related balances on a day-to-day basis, as these are principally driven by the volume of transactions and the time elapsed since the last clearing financial issuers/card schemes why these balances fluctuate from reporting date to reporting date. A description of the components in the clearing related balances and the key drivers behind their respective amounts is described in Note 3.2.

Significant accounting policies

Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Group has not designated any financial assets as available-for-sale or held-to-maturity investments.

Subsequent measurement

Loans and receivables

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

Loans and receivables are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment.

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

Financial assets at fair value through profit or loss

Listed securities are classified as held for trading and are measured at fair value through profit or loss.

Impairment of financial assets

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

- Trade receivables – Note 3.1.2
- Clearing related assets – Note 3.2

Inventories

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

Trade and other payables

Amounts are initially recognised at fair value. Subsequently, these items are measured at amortised cost.

Note 3.1 Change in narrow working capital

(DKKm)	2014	2013
Change in narrow working capital		
Inventories	15	17
Trade receivables	-67	-11
Prepayments and other receivables	57	-26
Trade and other payables	168	-35
Total change in narrow working capital	**173**	**-55**

Note 3.1.1 Inventories

(DKKm)	2014	2013
Inventories		
Raw materials and supplies	-	15
Work in progress	0	12
Finished goods and merchandise	91	157
Total inventories (gross)	**91**	**184**
Inventory write-downs at year-end	-7	-53
Total inventories (net)	**84**	**131**
Movements in the inventory write downs		
Inventory write-downs as at 1 January	-53	-19
Inventory write-downs during the year	-4	-37
Provisions used	43	-
Decrease in provisions regarding divested business	7	-
Exchange differences	-	3
Inventory write-downs as at 31 December	**-7**	**-53**

Write-downs of inventories to net realisable value amounted to DKK 4 million net (2013: DKK 37 million) and are included in cost of sales.

Note 3.1.2 Trade and other receivables

(DKKm)	2014	2013
Trade receivables		
Trade receivables	545	586
Allowances for doubtful debts	-8	-9
Trade receivables, net	**537**	**577**
Other receviables	165	68
Total	**702**	**645**
Allowances for doubtful debts as at 1 January	-9	-6
Impairment losses	-1	-6
Reversal of impairment losses	-	3
Decrease in provisions regarding divested business	1	-
Exchange rate adjustment	1	-
Allowances for doubtful debts as at 31 December	**-8**	**-9**
Receivables past due but not impaired	**63**	**43**
Receivables past due but not impaired can be specified as follows:		
Receivables past due less than 6 months	45	27
Receivables past due between 6 and 12 months	15	14
Receivables past due more than 12 months	3	2
Total	**63**	**43**

Related credit risk

The Group is exposed to credit risks related to the trade receivables. Exposure is considered minimal, as the base consists of a large number of customers and merchants spread across diverse industries and geographical areas, which minimises the credit risks.

Note 3.1.3 Trade and other payables

(DKKm)	2014	2013
Trade and other payables		
Trade payables	369	305
Prepayments from customers	74	61
Payables from associates	2	1
Other liabilities	867	771
Total	**1,312**	**1,138**
Other liabilities		
Employee costs payable	455	443
Other payables	351	293
VAT and duties payable	61	35
Total	**867**	**771**
Recognised as follows in the balance sheet:		
Current liabilities	1,312	1,138
Total	**1,312**	**1,138**

Note 3.2 Clearing related balances

(DKKm)	2014	2013
Clearing related assets		
Receivable from cardholders	1,221	1,205
Settlement assets	3,871	3,832
Total	**5,092**	**5,037**
Clearing related liabilities		
Merchant creditors	2,450	3,382
Settlement obligations	2,417	2,503
Prepayments from cardholders	35	526
Total	**4,902**	**6,411**

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

Note 3.2.1 Change in clearing related balances (continued)

Receivable from cardholders In Finland, Nets Oy issues cards in its own name to cardholders in collaboration with local banks. The Group therefore has amounts receivable from individual cardholders. The balance is driven by card spend (volume) (this month and previous) and average credit days.

In respect of receivables from cardholders related to the Group's financial issuing services in Finland, 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. In general, receivables overdue by 180 days are written down to zero, and receivables overdue by 90 days are written down by 20%.

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

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

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

Prepayment from cardholders is applicable only in Finland and the liability consists primarily of prepayments of vouchers and gift cards. In connection with the sale of the card business beginning 2014 it was also decided not to continue the remaining voucher business.

(DKKm)	2014	2013
Change in clearing related balances		
Change in settlement assets	-39	492
Change in settlement obligations	-86	7
Change in cardholder receivables	-16	377
Change in cardholder prepayments	-491	-14
Change in merchant creditors	-932	-856
Total	**-1,564**	**6**

Credit risk management

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

The Group is exposed to the risk of unpaid merchant service charges where a customer ceases to trade. To manage this risk, the Group maintains credit risk exposure in line with approved appetite for risk whilst achieving appropriate risk versus reward performance and ensuring that customers will be able to meet their obligations to the Group. In addition, the Group is exposed to chargebacks that arise where customers may not have received the goods or services for which they have paid and seek recompense from the card issuer. Whilst the financial responsibility for a 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 risk through the co-issuing model that the subsidiary Nets Oy is running in Finland with four 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 3.3 Cash and cash equivalents

Significant accounting policies

Cash and cash equivalents
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.

(DKKm)	2014	2013
Cash at bank and on hand	2,159	2,374
Cash and cash equivalents as at 31 December	**2,159**	**2,374**
Bank overdrafts	-433	-480
Net cash and cash equivalents as at 31 December	**1,726**	**1,894**
Restricted cash included in cash at bank and on hand	29	39

The credit rating of the banks to which the Group has the largest exposure is monitored on a continuous basis.
The Group has entered into cash pool arrangements for activities in Denmark and Sweden.

Note 3.4 Financial risk management

Liquidity and financing risk management
Liquidity management is executed on an ongoing daily basis, ensuring availability of required liquidity of the Group by appropriate cash management, and maintaining adequate liquidity reserves at any time through a combination of readily available cash, liquid investment portfolios and uncommitted as well as committed credit facilities. The Group has established cash pooling arrangements to ensure cost-efficient and secure cash management. The Group continuously monitors actual and future cash flows to match the maturity profiles of financial assets and liabilities.

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

Settlement cash
The Group's acquiring business has a short-term settlement cycle where card schemes (predominantly Visa/MasterCard) remit cash and the Group pays merchants from these remittances. The settlement activities can result in a significant increase in cash balances or a significant decrease in cash balances. Liquidity is needed only when merchants are remitted prior to funds being received; however, the settlements are normally performed within a few days.

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

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 are received from cardholders. Funds from cardholders are received once a month. This results in a significant decrease in cash balances over the period until cardholders pay in. However, due to the nature of the business, the daily fluctuations are moderate.

Note 3.4 Financial risk management (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)	1 week – 1 month	1 month – 3 months	3 months – 12 months	1 year – 5 years	Total
2014					
Trade and other receivables	623	75	4	-	**702**
Receivable from cardholders	389	155	677	-	**1,221**
Settlement assets	3,871	-	-	-	**3,871**
Total financial assets at the end of the year by maturity	4,883	230	681	-	**5,794**
Borrowings	-1,512	-	-28	-804	**-2,344**
Trade and other payables	-453	-427	-432	-	**-1,312**
Merchant creditors	-2,450	-	-	-	**-2,450**
Settlement obligations	-2,417	-	-	-	**-2,417**
Deferred consideration for business combinations	-	-	-	-21	**-21**
Total financial liabilities at the end of the year by maturity	-6,832	-427	-460	-825	**-8,544**
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 financial assets at the end of the year by maturity	5,529	627	470	-	**6,626**
Borrowings	-480	-9	-26	-1,037	**-1,552**
Trade and other payables	-357	-142	-622	-	**-1,121**
Merchant creditors	-3,382	-	-	-	**-3,382**
Settlement obligations	-2,503	-	-	-	**-2,503**
Financial liabilities held for sale	-	-2	-	-	**-2**
Total financial liabilities at the end of the year by maturity	-6,722	-153	-648	-1,037	**-8,560**

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 5.5. A more detailed maturity analysis of the Group loans is disclosed in Note 5.2.

Section 4: Strategic investment and divestment

This section includes disclosure information related to how the Group executed its growth strategy related to:

- Expansion of geographic and service offering footprint through acquisitions
- Development of innovative product and service offerings

Strategic acquisitions
The Group is actively committed to renewing and supplementing the portfolio of services offered and to strengthening our geographic footprint. During 2014, the Group strengthened its market coverage with the acquisition of Payzone AB, Paytrail Oyj and 85.8% of DIBS Payment Services AB.

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

Investments in development projects
Nets' vision is to create the future of what it calls "digital values" – digital money, digital identity and digital information. The Group continuously innovates to bring to market products and services relevant to our focus areas in new payment instruments, analytics and authentication.

The Group has enjoyed successes in the modernisation of platforms, efficiency, and project deliveries during 2014. A successful example of modernisation of IT platforms is the launch of the ISO-20022 based real-time clearing platform in Denmark in November, which the banks have embraced. The platform is already integrated into new value propositions to Danish consumers.

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

Note 4.1 Business combinations

Significant accounting policies

Business combinations
Acquisitions of businesses are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. Non-controlling interests are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. Any contingent consideration to be transferred is measured at fair value at the acquisition date. Acquisition related costs are expensed as and when incurred within external expenses and staff costs.

At the acquisition date, the identifiable assets acquired and the liabilities, including contingent liabilities assumed, are recognised at their fair value at the acquisition date. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the initial accounting for a business combination is incomplete by the end of the reporting year in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the following 12 months from the acquisition date, 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.

Key accounting estimates and judgements

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

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

Acquisition of shares in DIBS Payment Services AB

The Group acquired 85.8% of the shares in DIBS Payment Services AB as of 30 December 2014. As DIBS Payment Services AB was listed on NASDAQ OMX First North in Stockholm until 13 March 2015, the flow of financial information was subject to regulatory requirements until that date, and not accessible to single shareholders. The gap between recognised net assets and consideration paid has been preliminary recognised as goodwill and is to be adjusted subsequently.

Acquisition of businesses

The Group made three acquisitions in 2014 (2013: one). The acquisitions had the following effect on the Group's consolidated financial statements at the reporting date:

(DKKm)	DIBS Payment Services AB		Other acquisitions		
	Booked value on acquisition date	Opening Balance	Booked value on acquisition date	Opening Balance	**Total acquisitions (Opening balance)**
Goodwill	12	477	-	145	622
Development projects	27	27	17	38	65
Customer agreements	-	-	-	115	115
Plant and equipment	2	2	11	11	13
Inventory	-	-	2	2	2
Trade and other receivables	7	7	9	9	16
Clearing related assets	-	-	34	34	34
Prepayment	14	14	-	-	14
Cash and cash equivalent	40	40	26	26	66
Deferred tax	-3	-3	-	-31	-34
Trade and other payables	-26	-26	-45	-45	-71
Clearing related liabilities	-	-	-34	-34	-34
Non-controlling interests	-	-11	-	-	-11
Consideration transferred		**527**		**270**	**797**
Cash and cash equivalent in aquisitions of business		40		26	66
Cash consideration transferred		**487**		**244**	**731**
Contingent and deferred consideration		-		21	21
Total payment regarding acquisitions of business		**487**		**265**	**752**

Note 4.1 Business combinations (Continued)

DIBS Payment Services AB

On 30 December 2014, the Group acquired 85.8% of the share capital of DIBS Payment Services AB for the total consideration of DKK 527 million excluding acquisition costs.

The acquisition added the widest range of simple and secure payment solutions online in the Nordic countries. Goodwill represents the value of the current workforce and know-how and also the operational synergies expected from integration within the Group.

Total annual revenue for 2014 of DIBS Payment Services AB was estimated at DKK 140 million (approximate figures extracted from unaudited financial information) based on extractions at the time of acquisition. In the period from the acquisition date to 31 December 2014, DIBS Payment Services AB contributed revenue of DKK 0 million and operating profit of DKK 0 million to the group. Acquisition costs relating to the purchase of DIBS Payment Services AB amount to DKK 15 million.

Other acquisitions

On 24 July 2014, the Group acquired 100% of the share capital of Payzone AB. On 1 December 2014, the Group acquired 80% of the share capital of Paytrail Oyj. Total considerations amounted to DKK 270 million excluding acquisition costs.

At the same time, the Group entered into a call-and-put option to acquire the remaining 20% of Paytrail Oyj, at an exercise price, based on a number of elements, including growth and EBITDA in the following years.

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

Payzone Nordic AB

The acquisition of Payzone Nordic AB added a cash-integrated payment solutions tailored for the retail, hotel and restaurant industries; its clients range from large chains to small merchants and is well positioned in the Swedish market. Total annual revenue of Payzone Nordic AB for 2014 was estimated at DKK 56 million (approximate figures extracted from unaudited financial information) based on extractions at the time of acquisition. In the period from the acquisition date to 31 December 2014, Payzone Nordic AB contributed revenue of DKK 23 million and operating profit of DKK 6 million to the Group. Acquisition costs relating to the purchase of Payzone Nordic AB amounted to DKK 3 million.

Paytrail Oyj

The acquisition of Paytrail Oyj added a strong partner for online payment in the Finnish region.

Total annual revenue of Paytrail Oyj for 2014 was estimated at DKK 39 million (approximate figures extracted from unaudited financial information) based on extractions at the time of acquisition. In the period from the acquisition date to 31 December 2014, Paytrail Oyj contributed revenue of DKK 0 million and operating profit of DKK 0 million to the Group. Acquisition costs relating to the purchase of Paytrail Oyj amounted to DKK 1 million.

EDIGard AS

In 2013, the Nets Group entered into a finance agreement to provide a convertible loan to EDIGard AS. At the same time the Group 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 gave the Group the power to govern (control) the company. The company was consolidated with effect from 31 December 2013. In 2014 the right was executed and the loan was converted to shares, giving the Group 52.9% ownership.

Note 4.2 Intangible assets

Significant accounting policies

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
- 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 as and 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.

Capitalised development projects and computer software development costs are amortised over their estimated useful lives of 3–7 years.

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

Customer agreements and rights
Customer agreements and rights are carried at historical cost less accumulated amortisation and any impairment loss. Amortisation is calculated using the straight-line method to allocate the cost over estimated useful life, which does not exceed:

- Customer agreements 15 years
- Rights 3 – 10 years

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.

Key accounting estimates and judgements

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

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

Note 4.2 Intangible assets (continued)

(DKKm)		Other intangible assets				
	Godwill	Customer agreements	Develop-ment projects	Devel-opment projects in progress	**Other Intangible assets**	**Total Intangible Assets**
2014						
Accumulated cost as at 1 January	**1,248**	1,422	800	9	**2,231**	**3,479**
Additions through business combinations	**662**	115	65	2	**182**	**804**
Additions	**-**	-	73	191	**264**	**264**
Disposals through sale of business	**-9**	-	-	-10	**-10**	**-19**
Assets disposed of or fully amortised	**-**	-50	-57	-	**-107**	**-107**
Currency translation adjustment	**-49**	-22	-10	-7	**-39**	**-88**
Accumulated cost as at 31 December	**1,812**	**1,465**	**871**	**185**	**2,521**	**4,333**
Accumulated amortisation and write-downs for impairment as at 1 January	**-529**	-830	-377	-7	**-1,214**	**-1,743**
Transfers assets held for sale					**-**	**-**
Amortisation	**-**	-108	-149	-	**-257**	**-257**
Disposals though sale of business	**9**	-	-	7	**7**	**16**
Assets disposed of or fully amortised	**-**	50	41	-	**91**	**91**
Currency translation adjustment	**26**	13	3	-	**16**	**42**
Accumulated amortisation and write-downs for impairment as at 31 December	**-494**	**-875**	**-482**	**-**	**-1,357**	**-1,851**
Carrying amount as at 31 December	**1,318**	**590**	**389**	**185**	**1,164**	**2,482**

Note 4.2 Intangible assets (continued)

(DKKm)		Other intangible assets				
	Godwill	Customer agreements	Develop-ment projects	Devel-opment projects in progress	**Other Intangible assets**	**Total Intangible Assets**
2013						
Accumulated cost as at 1 January	**1,524**	1,476	617	9	**2,102**	**3,626**
Transfers assets held for sale	**-190**	-28	-	-	**-28**	**-218**
Additions through business combinations	**-**	-	19	-	**19**	**19**
Additions	**-**	1	168	-	**169**	**169**
Assets disposed of or fully amortised	**-**	-2	-	-	**-2**	**-2**
Currency translation adjustment	**-86**	-25	-4	-	**-29**	**-115**
Accumulated cost as at 31 December	**1,248**	**1,422**	**800**	**9**	**2,231**	**3,479**
Accumulated amortisation and write-downs for impairment as at 1 January	**-590**	-746	-232	-	**-978**	**-1,568**
Transfers assets held for sale	**-**	3	-	-	**3**	**3**
Amortisation	**-**	-106	-146	-	**-252**	**-252**
Write-downs for impairment*	**-**	-	-	-7	**-7**	**-7**
Assets disposed of or fully amortised	**-**	2	-	-	**2**	**2**
Currency translation adjustment	**61**	17	1	-	**18**	**79**
Accumulated amortisation and write-downs for impairment as at 31 December	**-529**	**-830**	**-377**	**-7**	**-1,214**	**-1,743**
Carrying amount as at 31 December	**719**	**592**	**423**	**2**	**1,017**	**1,736**

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

DKKm	2014	2013
Development costs recognised in the consolidated income statement	347	390

Note 4.3 Plant and equipment

Significant accounting policies

Plant and equipment

Plant and equipment are stated at their purchase price, including incremental expenses on acquisition less accumulated depreciation and any recognised impairment loss. Depreciation is provided on a straight-line basis over the expected useful economic life of the assets concerned.

The estimated useful life for this purpose is:

Leasehold improvements	10 years
Terminals	3 years
Plant and machinery	2 – 4 years

(DKKm)	2014			
	Leashold improve-ments	Terminals	Plant and machinery	**Total**
Accumulated cost as at 1 January	164	291	549	**1,004**
Additions through business combinations	-	9	4	**13**
Additions	22	85	32	**139**
Disposals through sale of business	-7	-	-34	**-41**
Assets disposed of	-	-29	-22	**-51**
Currency translation adjustment	-9	-15	-31	**-54**
Accumulated cost as at 31 December	**170**	**341**	**498**	**1,009**
Accumulated depreciation and write-downs for impairment as at 1 January	-94	-172	-428	**-694**
Depreciation	-17	-77	-56	**-149**
Write-downs for impairment	-	-2	-	**-2**
Disposals though sale of business	5	-	27	**32**
Assets disposed of	-	25	21	**45**
Currency translation adjustment	4	6	26	**36**
Accumulated depreciation and write-downs for impairment as at 31 December	**-102**	**-220**	**-410**	**-731**
Carrying amount as at 31 December	**69**	**121**	**88**	**278**

Note 4.3 Plant and equipment (continued)

(DKKm)	2013			
	Leashold improve-ments	Terminals	Plant and machinery	**Total**
Accumulated cost as at 1 January	203	392	1,277	**1,872**
Additions	12	100	45	**157**
Assets disposed of	-34	-173	-673	**-880**
Currency translation adjustment	-17	-28	-100	**-145**
Accumulated cost as at 31 December	**164**	**291**	**549**	**1,004**
			-	
Accumulated depreciation and write-downs for impairment as at 1 January	-115	-286	-1,055	**-1,456**
Depreciation	-22	-77	-90	**-189**
Assets disposed of	30	167	633	**830**
Currency translation adjustment	13	24	84	**121**
Accumulated depreciation and write-downs for impairment as at 31 December	**-94**	**-172**	**-428**	**-694**
			-	
Carrying amount as at 31 December	**70**	**119**	**121**	**310**

Terminals are leased by the Group to third-party merchants under operating leases. These operating leases are under various agreements which terminate between 2015 and 2017. The agreements include an extension option.

Note 4.4 Impairment tests

Significant accounting policies

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is any 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 income statements and cannot be reversed in subsequent periods.

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

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

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

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

Key accounting estimates and judgements

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.

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 towards the end of 2014..

The tests performed did not identify any impairment.

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

(DKKm)	2014	2013
Cash-generating unit		
Financial Services	581	581
Merchant Services	728	129
Sector Services	9	9

Note 4.4 Impairment tests (Continued)

The recoverable amount of goodwill recognised is determined based on value in use calculations which use 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 business and risk. Discount rates are unchanged compared to 2013.

Key factors that could trigger an impairment test include the following:

- New technology changing the way we do payments as of today
- Macro economy down-scaling
- Regulatory matters

Financial Services

Financial Services 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 because Business Financial Services are considered as one CGU. The individual entities cannot be evaluated separately because value-added processes are generated across the Group, including synergies from combining operations, economies of scale and future growth potential.

Merchant Services

Merchant services consist mainly of goodwill related to the acquisition of activities in Denmark (Nets Merchant Solution A/S), Finland (Nets Finland Oy and Paytrail Oyj) and Sweden (Payzone AB, and DIBS Payment Services AB (see Note 4.1)).

Sector Services

Sector services consist of goodwill related to the acquisition of NemID activities.

Note 4.5 Investment in associates

Significant accounting policies

Associates

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

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

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

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

(DKKm)	2014	2013
Investment in associates		
Accumulated cost as at 1 January	60	60
Accumulated cost as at 31 December	**60**	**60**
Revaluation as at 1 January	-38	-28
Share of profit after tax	13	9
Depreciation on rights acquired	-1	-3
Exchange differences	0	-1
Dividends distributed	-10	-15
Revaluation as at 31 December	**-36**	**-38**
Carrying amount as at 31 December	**24**	**22**
Rights included in carrying amount as at 31 December	**-**	**1**

Note 4.5 Investment in associates (continued)

(DKKm)

2014

Company name	Share	Currency	Revenue	Profit for the year	Net assets	Nets' share: Equity	Nets' share: Profit for the year
e-Boks A/S	50%	DKK	148	26	48	24	13
Total			**148**	**26**	**48**	**24**	**13**

2013

Company name	Share	Currency	Revenue	Profit for the year	Net assets	Nets' share: Equity	Nets' share: Profit for the year
e-Boks A/S	50%	DKK	107	18	42	22	9
Total			**107**	**18**	**42**	**22**	**9**

4.6 Divestments and Assets held for sale

Significant accounting policies

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.

Key accounting estimates and judgements

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 groups 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. There are no assets held for sale as at 31 December 2014. As at 31 December 2013, the carrying amount, related to Prepaid and Eurocard activities, was DKK 592 million. Related liabilities as at 31 December 2013 amounted to DKK 53 million.

4.6 Divestments and Assets held for sale (continued)

(DKKm)	2014	2013
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		
	-	3
Trade and other payables	-	50
Prepayments from cardholders	-	53
Total	**-**	**53**

Assets and liabilities related to Prepaid (only card business) and Eurocard activities were presented as assets-held for sale and liabilities-held for sale in 2013, as asset purchase agreements were entered into towards the end of 2013 with completion dates of 8 January 2014 and 1 April 2014. Sold assets and liabilities did not differ significantly from as at 31 December 2013.

The Cryptera A/S subsidiary was sold with effect from 1 July 2014. Net assets primarily included inventory and trade receivables.

Total Cash consideration received amounted to DKK 660 million net of DKK 22 million cash disposed as part of the divestments.

Gains and losses on divestments comprise the gains on the divestment of assets and liabilities related to Prepaid and Eurocard activities from Nets Oy in Finland, and Cryptera A/S in Denmark. Total gains from divestments amounted to DKK 45 million.

Section 5: Funding and capital structure

In 2014 the Group obtained new senior debt totalling DKK 653 million to finance the acquisitions. Information on these acquisitions can be found in Section 4.

Overdraft facilities in the amount of EUR 115 million were available to the Nets Holding A/S Group from facilities held at Nassa Midco AS, a parent company, to be used for daily cash management.

In 2014, a repayment towards a previous senior debt facility in the amount of DKK 1,000 million was made in connection with the Nets Group transaction.

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

5.1 Share capital

Significant accounting policies

Equity

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

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

5.1 Share capital (continued)

Capital Management

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

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

		2014		2013
	Shares (numbers in millions)	Nominal value (DKKm)	Shares (numbers in millions)	Nominal value (DKKm)
Share capital				
Holding as at 1 January	184	184	184	184
Holding as at 31 December	**184**	**184**	**184**	**184**

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

Dividend

At the end of 2014, proposed dividend (not yet declared) of DKK 498 million (DKK 2.71 per share) is included in Retained earnings. The declared dividend included in Retained earnings was DKK 498 million (DKK 2.71 per share) in 2013.

5.2 Borrowings and related risks

Significant accounting policies

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

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

Loans and borrowings
This is the category most relevant to the Group.
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

This category generally applies to interest-bearing loans and borrowings.

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

Derivative financial instruments and hedge accounting
Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as financial items.

Amounts recognised as OCI are transferred to profit or loss when the hedged interest expense is recognised in the income statement.

5.2 Borrowings and related risks (continued)

(DKKm)

Terms and maturity of the Group's interest-bearing loans and borrowings

	Nominal interest rate	Average effefc-tive interest rate	Currency	Year of maturity	Nominal Value	Carrying amount 2014	Carrying amount 2013
Bank loans floating rates							
Term loan EUR	Euribor + 3.50%[1)]	4.3%	EUR	2021	545	530	-
Term loan SEK	Stibor + 3.75%[1)]	4.5%	SEK	2021	108	105	-
Senior facility	Cibor + 1.80%	3.6%	DKK	2014	1,000	-	988
Asset Backed Loan	Euribor + 1.75%	1.9%	EUR	2016	1,079	1,073	-
Overdraft facility (Multicurrency)	Variable	3.0%		2015	433	433	480
Total bank loans						**2,141**	**1,468**
Total							
Non-current liabilities						635	988
Current liabilities						1,506	480

[1] For the term loans in EUR and SEK. maturing in 2021. there is a floor on the Euribor and Stibor

Term loans (nominated in EUR and SEK)

Loans were established in connection with the acquisition of shares in Paytrail Oyj and DIBS Payments Services AB. The Group decided to take out loans in both SEK and EUR to hedge the underlying value generation in the acquired companies.

Overdraft Facilities

Overdraft facilities in the amount of EUR 115 million were carved out of the revolving facility in Nassa Midco AS, a parent company to the Group, to replace existing overdraft facilities previously used to operate day-to-day business. The Group has also established additional intra-day facilities to improve the headroom for the daily operation.

Asset Backed Loan (ABL)

This was established in Finland, backed by credit card holders' receivables.

5.2 Borrowings and related risks (continued)

(DKKm)

Maturity analysis

2014	Carrrying amounts	Contrac-tual cash flow	<1 year	1 – 2 years	3 – 4 years	> 5 years
Term loan	635	832	28	55	55	694
Asset Backed Loan	1,079	1,079	1,079	-	-	-
Overdraft Facility	433	433	433	-	-	-
Total	2,147	2,344	1,540	55	55	694

2013	Carrrying amounts	Contrac-tual cash flow	<1 year	1 – 2 years	3 – 4 years	> 5 years
Senior facility	988	1,072	36	1,036	-	-
Overdraft facility	480	480	480	-	-	-
Total	**1,468**	**1,552**	**516**	**1,036**	**-**	**-**

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

5.3 Net financials

Significant accounting policies

Financial items
Financial income and expenses comprise interest income and expenses, realised and unrealised gains, and dividends, losses on transactions denominated in foreign currencies and securi-ties and subsequent changes to contingent acquisitions costs.

5.3 Net financials (continued)

(DKKm)	2014	2013
Financial income		
Net foreign exchange gains	-	5
Financial income from securities	28	48
Interest income on short-term bank deposits	17	13
Interest income from Co-issuing activities	37	45
Total financial income	**82**	**111**
Financial expenses		
Net foreign exchange loss	10	-
Interest expense on bank loans	19	38
Fair value adjustment of financial liabilities	-	**30**
Amortisation of transaction costs	18	**7**
Other fees etc.	4	11
Total financial expenses	**51**	**86**
Net financials	**31**	**25**

5.4 Interest risk management

The Group is exposed to interest rate risk on loans, credits and cash balances as well as mismatches on maturities between loans and cash, resulting in variable interest cash flows. The Group's loan arrangements are based on variable basis interest rates. Cash held at variable rates partly offsets risk arising from changing interest rates on the Group's loans and credits.

Exposure to changes in interest rates:

(DKKm)	Variable, non-contractual	Contractual variable rates < 1 month	**Total**
Cash on hand	2,159	-	**2,159**
Bank loans	-	-1,708	**-1,708**
Bank overdraft	-433	-	**-433**
Net	**1,726**	**-1,708**	**18**

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

(DKKm)	**Probable change in interest**	**Hypothetical impact on profit for the year**		**Hypothetical impact on equity**	
		2014	**2013**	**2014**	**2013**
Loans and borrowings	1%	18	10	18	**10**

5.5 Commitments, contingencies and collaterals

Significant accounting policies

Leases
Contracts to lease assets are classified as financial leasing 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 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.

Group as a Lessee:
The total contractual obligations as at 31 December can be specified as follows:

(DKKm)	1 week – 1 month	1 month – 3 months	3 months – 12 months	1 year – 5 years	Total
2014					
Operating leases	101	186	132	52	**471**
Total contractual obligations	**101**	**186**	**132**	**52**	**471**
2013					
Operating leases	106	198	154	52	**510**
Total contractual obligations	**106**	**198**	**154**	**52**	**510**

Operating lease commitments are related to non-cancellable operating leases primarily pertaining to premises, cars and office equipment. The lease costs for 2014 and 2013 were DKK 106 million and DKK 105 million, respectively.

Commitments
The Group has entered into a number of long-term agreements for the purchase of services.

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

Collaterals
Nets Holding A/S, Nets Denmark A/S, Nets Norway AS, Teller A/S and Nets Oy are guarantors under the senior facility agreement at Nassa Midco AS and have certain of their assets, including selected bank accounts, pledged to the lenders. All such arrangements strictly observe applicable laws and regulations. This has no effect on daily business and excludes all settlement assets.

EUR 149 million (in 2013: DKK 0 million) of the Receivables from cardholders are pledged as security for the Asset Backed Loan in Finland.

Section 6: Tax and Governance

This section includes disclosures that relates to the Groups Tax and Governance policies.

6.1 Income and deferred income taxes

Significant accounting policies

Income taxes

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

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

Deferred tax assets are recognised if they can be 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 as at the balance sheet date when the deferred tax is expected to be realised or the liability settled. Changes in deferred tax as a result of changes in tax rates are recognised in the consolidated income statements except for the effect of items recognised directly in Other comprehensive income. Deferred tax assets and liabilities are offset in the Consolidated statement of financial position if the Group has a legally enforceable right to 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. 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.

Key accounting estimates and judgements

Deferred tax assets

The Group recognises deferred tax assets, including the expected tax value of tax loss carry-forwards if management assesses that these tax assets can be offset against positive taxable income in the foreseeable future. This judgement is made annually and based on budgets and business plans for the coming years, including planned commercial initiatives. As at 31 December 2014, the carrying amount of the deferred tax assets is DKK 97 million (2013: DKK 76 million) and unrecognised tax losses is DKK 245 million (2013: DKK 250 million).

6.1 Income and deferred income taxes (continued)

(DKKm)	2014	2013
Income taxes expensed		
Current tax on profit for the year	313	310
Deferred tax on profit for the year	-32	-38
Tax on profit for the year	**281**	**272**
Adjustments related to previous years – current tax	-5	-1
Adjustments related to previous years – deferred tax	5	23
Income taxes in the income statement	**281**	**294**

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)	2014	2013
Profit before tax	933	907
Income tax expense calculated at domestic tax rate	229	227
Associated result reported net of tax	-3	-2
Effect of income that is exempt from taxation	-	-3
Effect of expenses that are not deductible in determining taxable profit	46	22
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	3	19
Effect of different tax rates of subsidiaries operating in other jurisdictions	12	17
Income not taxable until dividend payments	-7	-
Effect on deferred tax related to previous years	5	23
Effect on current tax related to previous years	-5	-1
Effect on deferred tax balances due to the change in income tax rates	1	-8
Income tax expense recognised in profit or loss	**281**	**294**

6.1 Income and deferred income taxes (continued)

	2014	2013
Computation of effective tax rate percentage		
Statutory corporate income tax rate in Denmark	24.5	25.0
Deviation in foreign subsidiaries' tax rates compared with Danish tax rate (net)	1.3	2.0
Non-taxable income less non-taxdeductible expenses (net)	4.1	2.1
Adjustments related to previous years tax	-	2.2
Not recognised tax losses	0.1	2.0
Change in income tax rates on deferred tax	0.1	-0.9
Effective tax rate	**30.1**	**32.4**

(DKKm)	2014	2013
Income taxes paid		
Income taxes paid in Denmark	133	150
Income taxes paid outside Denmark	185	115
Total income taxes paid	**318**	**265**

6.1 Income and deferred income taxes (continued)

(DKKm)	Intangible assets	Plant & equipment	Inventories	Other receivables	Employee benefits obligation	**Total**
Development in deferred income tax assets and liabilities						
2014						
Net deferred tax asset/ (liability) as at 1 January	54	-94	7	18	-24	-39
Additions through business combinations	-34	-	-	-	-	-34
Deferred tax on profit for the year	16	26	-	-	-10	32
Adjustment relating to previous years	-5	-	-	-	-	-5
Deferred tax on items recognicsed in other comprehensive income	-	-	-	-	3	3
Exchange rate adjustment	3	0	-1	-1	0	1
Net deferred tax asset/ (liability) as at 31 December	**34**	**-68**	**6**	**17**	**-31**	**-42**
Classified as follows:						
Deferred tax asset, 31 December						97
Deferred tax liability, 31 December						139

6.1 Income and deferred income taxes (continued)

(DKKm)	Intangible assets	Plant & equipment	Inventories	Other receivables	Employee benefits obligation	**Total**
Development in deferred income tax assets and liabilities						
2013						
Net deferred tax asset/ (liability) as at 1 January	85	-131	2	-27	26	-45
Deferred tax on profit for the year	1	37	6	3	-9	38
Adjustment relating to previous years	-23	-	-	-	-	-23
Deferred tax on items recognicsed in other comprehensive income	-	-	-	-	4	4
Exchange rate adjustment	-9	-	-1	0	-3	-13
Net deferred tax asset/ (liability) as at 31 December	**54**	**-94**	**7**	**-24**	**18**	**-39**
Classified as follows:						
Deferred tax asset, 31 December						76
Deferred tax liability, 31 December						115

Unused tax losses not recognised

The aggregate unused tax losses of DKK 245 million (2013: DKK 250 million) are not recognised as it is considered unlikely that the tax losses will be realised in the future.

Other tax information

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

Undistributed 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 6.2 Related party transactions

Related party transactions

In 2014 owners of the ultimate parent company invoiced the Group for service fees totalling DKK 11 million, none of which was settled as at the balance sheet date.

As at 31 December 2014 the Group's receivables were DKK 32 million in respect of Nassa Midco AS.

Transactions with e-Boks A/S comprise mainly administrative services in the amount of DKK 30 million (2013: DKK 15 million).

There were no transactions with any members of Group Management or members of the Board of Directors of the Group, other than remuneration, and furthermore no loans were granted to the Board of Directors or Group Management in 2014 or 2013.

Remuneration to the Board of Directors and Group Management

In 2014 short-term benefits included fixed-base salary, paid-out exit bonus in connection with the sale of the Group and accrued cash bonuses designed to incentivise individual performance and the achievement of a number of predefined short-term functional and individual business targets linked to goals in the Group's balanced scorecard. Short-term benefits also include severance pay to the former CEO and members of Group Management.

In 2013 short-term benefits included fixed-base salary, cash bonuses and severance liabilities to the former CFO and members of Group Management.

At year-end 2014 Group Management consisted of six members (nine in 2013).

(DKKm)	2014				2013			
	Board of Directors	Executive management	Group management	**Total**	Board of Directors	Executive management	Group management	**Total**
Short-term benefits	3	42	42	**87**	2	10	17	29
Pensions	-	0	2	**2**	-	1	1	2
Benefits	-	0	1	**1**	-	3	1	4
Total	**3**	**42**	**45**	**90**	**2**	**14**	**19**	**35**

Note 6.3 Fee to statutory auditors

(DKKm)	2014	2013
Remuneration to Auditors		
(Ernst & Young as elected by the Annual General Meeting, 2013: KPMG)		
Statutory audit	**3**	**5**
Non-statutory audit services:		
Other assurance engagements	2	4
Tax advisory services	1	1
Other services*	13	13
Total non-statutory audit services	**16**	**18**
Total	**19**	**23**
Other Auditors in subsidiaries		
Statutory audit	**2**	**-**
Non-statutory audit services:		
Other assurance engagements	2	-
Total non-statutory audit services	**2**	**-**
Total	**4**	**-**

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

Section 7: Other disclosures

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

Note 7.1 Pension assets and pension obligations, net

Significant accounting policies

Pensions

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

In a defined benefit plan, the Group is obliged to pay a specific benefit to certain employees from the time of retirement. A pension asset or pension obligation corresponding to the present value of the obligations less the defined pension plan's assets at fair value is recognised for these benefit plans. The costs of providing benefits under the defined benefit plan are determined annually by independent actuaries using the projected unit credit method.

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

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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

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

For the defined contribution plans, the Group will pay in a fixed periodic contribution to separate legal entities and will have no further obligations after the payment has been made. Costs regarding defined contribution plans are recognised as incurred within staff costs.

Key accounting estimates and judgements

Defined benefit pension plans

The pension obligation costs for defined benefit plans are estimated based on certain actuarial assumptions, the most significant of which relate to returns on plan assets, discount rate, wage inflation and demography (mortality, disability, etc.). The assumed discount rate may fluctuate significantly. We believe the 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.

Note 7.1 Pension assets and pension obligations, net (continued)

(DKKm)	2014	2013
Defined benefit plans		
Specification of pensions		
Fair value of plan assets	69	77
Projected benefit obligations	138	148
Pension asset/(liability) recognised in the balance sheet	**-69**	**-71**
Change in pension assets/(obligations) recognised in the balance sheet		
Pension liability recognised in the balance sheets as at 1 January	-71	-98
Pension (costs)/income recognised in the income statements	-6	-5
Actuarial loss on projected benefit obligations and plan assets recognised in other comprehensive income	-11	-13
Gain on plan assets	2	2
Nets' contribution	5	9
Benefit paid to employees	-1	19
Exchange rate adjustments	13	15
Pension assets/(obligations) recognised in the balance sheets as at 31 December	**-69**	**-71**

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

	2014	2013	2014	
	Assumptions		**Sensitivity**	
			+1 %-point	-1 %-point
Discount rate	2.3%	4.1%	-22	24
General wage inflation	2.8%	3.8%	6	-5
Expected regulation of minimum payment	0.0%	2.8%	16	-14

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

The Group has used a mortality rate in accordance with the Norwegian K2013 table. Overall, an expected lifetime after retirement at age 65 is 18.1 years for men and 21.1 years for women.

(DKKm)	2014	2013
Expected maturity of projected benefit obligation		
Within 1 year	8	8
1 – 5 years	20	20
Beyond 5 years	109	120
Total	**137**	**148**

Note 7.2 Classification of financial assets and financial liabilities

(DKKm)	Fair value through income statement	Loans and receivables	Cash and cash equivalents	Financial liabilities measured at amortised cost	Available for sale	**Total**
Financial assets and liabilities						
2014						
Trade and other receivables	-	702	-	-	-	702
Receivable from cardholders	-	1,221	-	-	-	1,221
Settlement assets	-	3,871	-	-	-	3,871
Securities	-	-	-	-	-	-
Cash at bank and on hand	-	-	2,159	-	-	2,159
Total financial assets	**-**	**5,794**	**2,159**	**-**	**-**	**7,953**
Borrowings	-	-	-	-2,141	-	-2,141
Trade and other payables	-	-	-	-1,312	-	-1,312
Merchant creditors	-	-2,450	-	-	-	-2,450
Settlement obligations	-	-2,417	-	-	-	-2,417
Deferred consideration for business combinations	-21	-	-	-	-	-21
Total financial liabilities	**-21**	**-4,867**	**-**	**-3,453**	**-**	**-8,341**
Total net financial assets	**-21**	**927**	**2,159**	**-3,453**	**-**	**-388**

Note 7.2 Classification of financial assets and financial liabilities (continued)

(DKKm)	Fair value through income statement	Loans and receivables	Cash and cash equivalents	Financial liabilities measured at amortised cost	Available for sale	**Total**
Financial assets and liabilities						
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
Total financial assets	**585**	**5,664**	**2,374**	**-**	**377**	**9,000**
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 financial liabilities	**-**	**-5,885**	**-**	**-2,589**	**-2**	**-8,476**
Total net financial assets	**585**	**-221**	**2,374**	**-2,589**	**375**	**524**

Fair value measurement hierarchy

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

The methods and assumptions used in measuring the Group's financial assets and liabilities at fair value are unchanged from 2013.

The methods and assumptions are as follows:

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

Note 7.3 Standards issued but not yet effective

The standards and interpretations which have been issued, but are not yet effective, up to the date of issuance of the Group's financial statements, and which are considered to have an effect on the Group, are disclosed below. New standards and amendments which are not yet effective and which are not considered to have an impact on the Group are not disclosed. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 is currently awaiting EU endorsement. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is currently assessing the impact of IFRS 9, and plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. IFRS 15 is currently awaiting EU endorsement. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either full or modified retrospective application is required for annual periods beginning on or after 1 January 2017, with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Note 7.4 Events after the balance sheet date

No significant events affecting the annual report of 2014 have occurred subsequent to 31 December 2014.

Note 7.5 Companies in the Group

Company	Structure	Currency	Ownership
Ultimate parent company			
Norway			
Nassa Topco AS[1]	Ultimate Parent	DKK	100%
Nassa Investments AS	Parent	DKK	100%
Nassa Norway AS	Parent	DKK	100%
Nassa Holdco AS	Parent	DKK	100%
Nassa Finco AS[1]	Parent	DKK	100%
Nassa Midco AS	Parent	DKK	100%
Denmark			
Nassa A/S	Parent	DKK	100%
Parent company			
Nets Holding A/S	Parent	DKK	100%
Denmark			
Nets Denmark A/S	Subsidiary	DKK	100%
Nets DanID A/S	Subsidiary	DKK	100%
Nets Cards Processing A/S	Subsidiary	DKK	100%
Teller A/S[2]	Subsidiary	DKK	100%
Teller Services ApS	Subsidiary	DKK	100%
e-Boks A/S	Associate	DKK	50%
Norway			
Nets Norway AS	Subsidiary	NOK	100%
Nets Norge Infrastruktur AS	Subsidiary	NOK	100%
Visa Norge AS	Subsidiary	NOK	100%
EDIGard AS	Subsidiary	NOK	53%
e-Boks AS	Associate	NOK	50%
Sweden			
Nets Sweden AB	Subsidiary	SEK	100%
NetAxept AB	Subsidiary	SEK	100%
Nassa BidCo AB	Subsidiary	SEK	100%
Payzone Nordic AB	Subsidiary	SEK	100%
DIBS Payment Services AB	Subsidiary	SEK	85.8%
Finland			
Nets Oy	Subsidiary	EUR	100%
Nets Finland Oy	Subsidiary	EUR	100%
Paytrail Oyj	Subsidiary	EUR	80%
Paytrail Technology Oy	Subsidiary	EUR	80%
Other countries			
Nets Estonia AS	Subsidiary	EUR	100%
ITP Baltic SIA (Estonia)	Subsidiary	EUR	53%

[1] Consolidated Financial statements are prepared for this Company

[2] As of 1 January 2014 Teller A/S has merged with Teller AS

Financial Statements of the Parent Company

Income statement for the Parent Company

DKKm	Note	2014	2013
Revenue	2	5	464
External expenses	3	-165	-64
Staff costs	4	-25	-475
Operating profit (EBIT)		**-185**	**-75**
Profit from subsidiaries after tax	5	699	618
Financial income	6	6	1
Financial expenses	6	-45	-91
Net financials		**-39**	**-90**
Profit before tax		**475**	**453**
Income taxes	7	16	19
Net profit for the year		**491**	**472**
Proposed profit appropriation:			
Proposed dividends		498	498
Net revaluation according to the equity method		-431	53
Retained earnings		424	-79
Total appropriation		**491**	**472**

Balance sheet for the Parent Company

DKKm	Note	2014	2013
Assets			
Non-current assets			
Other intangible assets	8	1	1
Investment in subsidiaries	5	4,401	4,209
Total non-current assets		**4,402**	**4,210**
Current assets			
Receivables from Group enterprises		562	2,293
Receivables from Parent Company		33	0
Other receivables		0	2
Prepayments	9	1	1
Cash and cash equivalents		4	3
Total current assets		**600**	**2,299**
Total assets		**5,002**	**6,509**
Equity and liabilities			
Equity			
Share capital		184	184
Net revaluation according to the equity method		0	510
Hedges reserves		-15	0
Retained earnings		1,385	961
Proposed dividends		498	498
Total equity		**2,052**	**2,153**
Non-current liabilities			
Borrowings		635	988
Total non-currenct liabilities		**635**	**988**
Current liabilities			
Borrowings		169	466
Trade payables etc.		70	56
Payables to Group enterprises		2,066	2,809
Corporation tax	7	3	28
Other payables	10	7	9
Total currenct liabilities		**2,315**	**3,368**
Total liabilities		**2,950**	**4,356**
Total equity and liabilities		**5,002**	**6,509**
Contingent liabilities	11		
Related party transactions	12		
Collaterals	13		

Statement of changes in equity for the Parent Company

DKKm	Share capital	Net revaluation according to the equity method	Hedges reserves	Retained earnings	Dividends	Total equity
2014						
Equity as at 1 January	184	510	0	961	498	2,153
Currency translation adjustment etc.	-	-79	-	-	-	-79
Net loss on cash flow hedges	-	-	-15	-	-	-15
Distributed dividends	-	-	-	-	-498	-498
Retained earnings, cf. profit appropriation	-	-431	-	424	498	491
Equity as at 31 December	**184**	**0**	**-15**	**1,385**	**498**	**2,052**
2013						
Equity as at 1 January	184	597	0	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 as at 31 December	**184**	**510**	**0**	**961**	**498**	**2,153**

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.
The share capital comprises shares of DKK 1 each.

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 Section 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	2014	2013
Group services (wages and salaries etc.)	5	464
	5	**464**

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

DKKm	2014	2013
Statutory audit	1	1
Tax advisory services	0	2
Other services	0	10
	1	**13**

Other services mainly comprises services related to merger and acquisition activities.

Note 4 Staff costs

DKKm	2014	2013
Total staff costs are specified as follows:		
Wages and salaries	20	374
Pension contributions plans	1	32
Other social security contributions	1	8
Other employee costs	3	61
	25	**475**

In 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 2.3 in the consolidated financial statements.

	2014	2013
Average number of full-time employees	8	488
Number of full-time employees year-end	8	8

Note 5 Investment in subsidiaries

DKKm	2014	2013
Accumulated cost as at 1 January	3,153	3,153
Additions	526	-
Disposals	-	-
Cost as at 31 December	**3,679**	**3,153**
Value adjustment as at 1 January	1,056	1,779
Dividends received	-952	-1,201
Net profit for the year	699	618
Currency translation adjustment	-81	-140
Value adjustment as at 31 December	**722**	**1,056**
Carrying amount as at 31 December	**4,401**	**4,209**

Note 6 Net financials

DKKm	2014	2013
Financial income		
Group enterprises	5	1
Other interest income	1	-
Total financial income	**6**	**1**
Financial expenses		
Group enterprises	13	8
Currency translation adjustment, net	0	4
Fair value adjustments of financial liabilities	0	30
Interest expenses on bank loans	19	38
Amortisation of transaction cost	12	7
Other fees etc.	1	4
Total financial expenses	**45**	**91**
Net financials	**-39**	**-90**

Note 7 Tax

DKKm	2014	2013
Current tax	-16	-19
Total	**-16**	**-19**
Tax payable as at 1 January	28	-16
Tax paid for previous year, net	-28	16
Tax paid on account	-112	-133
Joint taxation	131	179
Tax for the year	-16	-19
Interest addition	0	1
Tax payable as at 31 December	**3**	**28**
Tax is included in the following items:		
Tax payables	3	28

Note 8 Other intangible assets

DKKm	2014	2013
	Rights	Rights
Accumulated cost as at 1 January	1	-
Additions	0	1
Cost as at 31 December	**1**	**1**
Amortisation as at 1 January	0	-
Amortisation for the year	0	0
Amortisation as at 31 December	**0**	**0**
Carrying amount as at 31 December	**1**	**1**

Note 9 Prepayments

DKKm	2014	2013
Wages, salaries, etc.	1	1
	1	**1**

Note 10 Other payables

DKKm	2014	2013
Employee costs payable	6	8
Other payables	1	1
	7	**9**

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 and Nets Cards Processing A/S.

For information on pending litigation and other contingencies, please refer to Note 5.5 in the consolidated financial statements.

Note 12 Related party transactions

For information on transactions with related parties, please refer to Note 6.2 in the consolidated financial statements.

Note 13 Collaterals

Nets Holding A/S has pledged the shares in the subsidiaries as collateral for the loans at Nassa Midco AS.

Appendices

Embrace SEPA – as it is an enabler for growth in Europe

The completion date for SEPA migration has passed, both European corporates and citizens are already benefiting from cheaper banking fees. Banks and corporates have not been keen on being forced into making changes to their payment processes. But the struggle is now behind us, and it is time to embrace SEPA and the many benefits it provides to help Europe prosper.

Focus less on the political agenda and look at what advantages standardisation on this scale can lead to. Without support from governments and regulators to impose sunset dates, legacy systems must be maintained and cost savings cannot be realised. Efficiency of payment methods is paramount for growth.

Remember the pre-SEPA days?

There was a time when, as a private person, you had to pay almost EUR 24 in banking fees just to send EUR 100 to one of your relatives living abroad. In addition, it took almost one week to reach its destination.

The scenario for corporates was even worse. Corporates having to pay a supplier abroad had to pay up to hundreds of euros, with an equally long transaction time. On top of that, the lack of standard, harmonised payment rules and procedures made such payments very costly to handle, since a lot of manual processes were required.

The political vision

SEPA was not a demand-driven process, since it was only the politicians who asked for it. The European Commission wanted to clear the obstacles to free trade. The aim was to have a standard legal framework for cross-border payments. Now the existing national payment services have been replaced with SEPA payment instruments and with SEPA you can have full access to all destinations in the SEPA region. Additionally, you have speed and

What is SEPA?

SEPA is a European area for making efficient payments in euros. With SEPA it is possible to have a single transparent payments market for domestic and cross-border euro transactions. There is one set of rules and one format for euro credit transfers and euro direct debits in all SEPA countries.

reliability, and you only need one euro account for all your euro payments within SEPA. The uniform rules and formats also make it easier to change banks within the SEPA region.

Unlocking business information

Having just one format for credit transfers and one for direct debits is of great advantage to any corporation doing business in the SEPA region. There used to be up to 16 different local formats for credit transfers and around the same number for direct debits, so having to work with only one format is a major cost reducer.

Standardisation of formats across all SEPA countries, along with standardised return codes and standardised return frames, allows for predictability, creating perfect conditions for automation.

The ISO 20022 XML format allows for transparent transmission of up to 140 characters of remittance information, which improves the reconciliation process, and high Straight Through Processing (STP)1 rates for account receivables, as it can easily be integrated into an ERP system.

Payment information can be transformed and reused within the corporate premises for VAT calculation, cash forecasting and working capital reporting more or less in real time. Corporates will have visibility of their liquidity not country-by-country but with a pan-European view. This will enable them to predict their creditworthiness.

Furthermore, SEPA enables companies to build closer relationships with both their bank and their suppliers, and gives them the opportunity to improve cash-flow efficiency.

SEPA reduces the number of bank accounts required to operate in a pan-European landscape. Basically, it enables payment traffic to be managed from a single location throughout the SEPA region.

Taking SEPA to the next level

SEPA, at its core, is an inter-bank project, but Nets hopes to see standards being taken into a more global debate and expanded into the business-to-business environment. Corporates want common standards from the first stage of a transaction – when something is bought – to payment, and including every step in between (eBilling and eInvoicing).

Standards such as ISO XML should be used for end-to-end business-to-business communication in order to realise the next vision of a Single European Business Area.

Success parameters for European consumers

Cost reduction and automation are success parameters for corporates. For consumers, success parameters are primarily convenience and trust.

As already stated, corporates have everything to gain from the realisation of SEPA. But what about consumers – have they gained much?

As British payment specialist Dave Birch states in this edition of Digital Values,2 what the private person has gained from SEPA is limited. The reduced banking fees are nice, but convenience and trust are not yet in place. Nets, like Dave Birch, is in favour of having interoperability of identity. A Single European Identity Area combined with the legal foundation of the Payment Services Directive (PSD)3 would serve as the building blocks for future innovation – for full digitisation end-to-end for commerce across the internal market.

However, great care has to be taken, as mentioned by Trygve Ilkjær also in this edition of Digital Values,4 that the forthcoming Payments Package from the European Commission does not hinder future innovation.

The consumer market should be left open for new companies to attempt to introduce new mobile services within the area of payments. National schemes and closed-loop payment schemes should be allowed to co-exist with pan-European payment schemes as long as they are following the legal framework of the PSD.

SEPA Credit Transfer and SEPA Direct Debit are perfect schemes for remote payments. Schemes for face-to-face payments should leave room for differentiation. As a private person outside your own country, you already have plenty of choice in making payments using cards today.

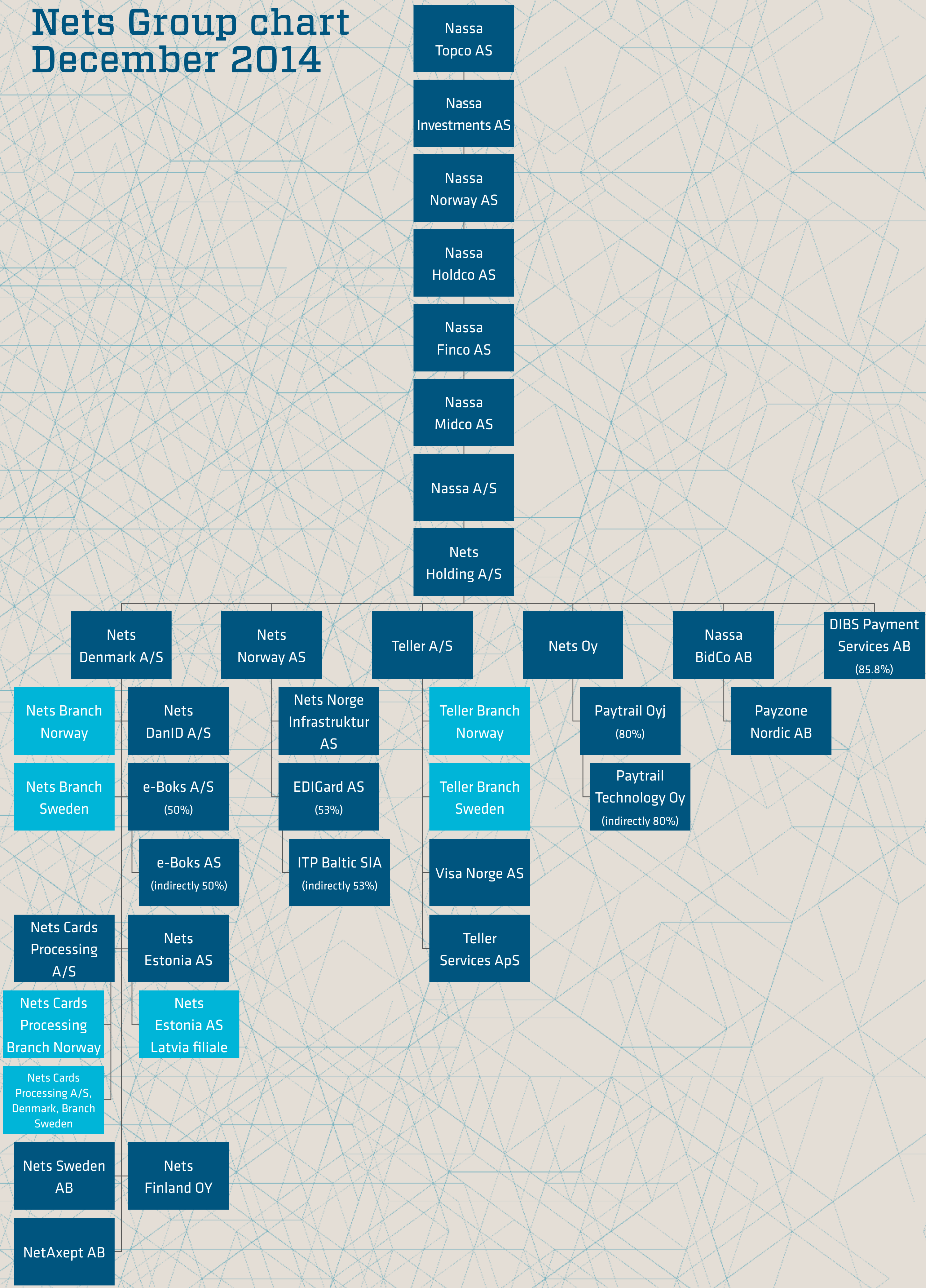
It is preferable to have the convenience of using a card that allows you to obtain credit when travelling, knowing that this convenience will cost you extra. At home you may prefer to use your domestic debit card, knowing that the fees are lower.

Parallels to the mobile industry

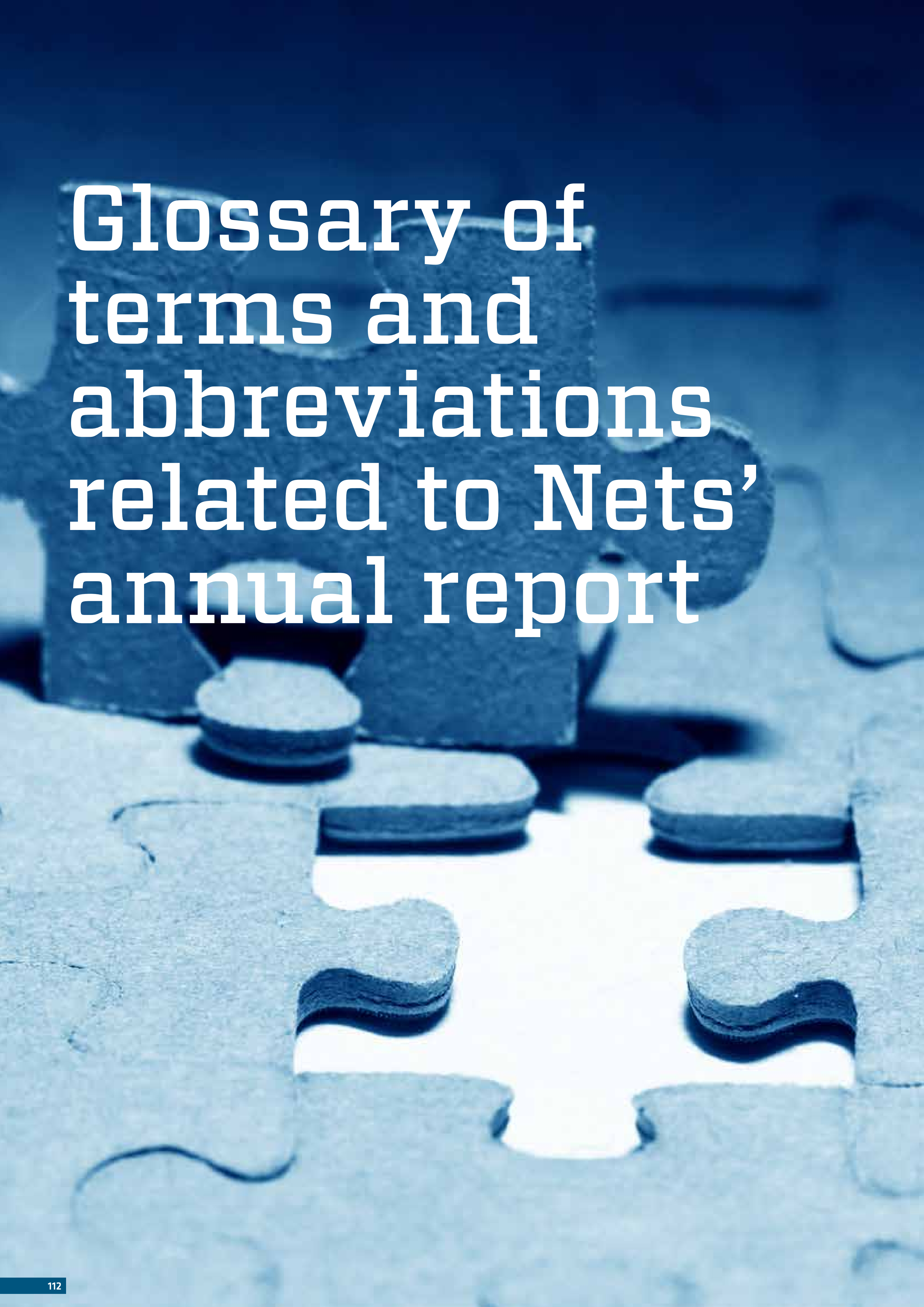
A parallel to the mobile industry is often made concerning charges. Roaming prices have been harmonised, to the benefit of corporates and citizens. However if you, as a private person, were to live abroad for a longer period of time, you would make an agreement with a domestic mobile operator to get an even better deal when using your phone.

Nets sees the same parallel for face-to-face payments (debit cards). When settling in a country you would open a domestic bank account and get access to the domestic debit card scheme or eventually a local service provider offering mobile payment services. Mobile payments are still in an innovative state and heavy regulation will make it less attractive for payment alternatives to find their way to the mass market.

Nets Group chart December 2014



Glossary of terms and abbreviations related to Nets' annual report



Acquiring	A financial institution that authorises credit or debit card purchases.
AvtaleGiro	A service within electronic payment services that Nets offers to debtors and creditors for automatic payment of fixed expenses.
BankAxept	The national debit card of Norway.
BankID	BankID is a personal and simple electronic proof of identity for secure identification and signing e.g. online documents.
Betalingsservice	Betalingsservice is a direct debit service designed for recurring payments, but one-off payments or refunds to debtors may also be initiated.
Clearing	Settlement and counterbalancing of payments.
Contactless payments	Technology that enables us to process payment transactions via a contactless chip embedded in payment cards, tags, key fobs and mobile phones.
Dankort	The national debit card of Denmark, usually combined with a Visa card, thus functioning as a credit card abroad as well.
Direct debit	Allows consumers to pay for purchases or bills immediately. Money is drawn at the time of sale or at the time a bill is due, directly from a consumer's checking account.
Dynamic Currency Conversion (DCC)	Dynamic Currency Conversion (DCC) is a financial service in which card holders have the cost of transactions converted to their local currency when making a payment in a foreign currency.
e-Boks	e-Boks is an efficient, secure and user-friendly platform for digital dialogue, dispatch and storage of important documents.
e-commerce	Electronic commerce.
E-Distribution	Digital distribution service.
eFaktura	eFaktura is a service for the electronic transmission and presentation of payment claims and invoices in the invoice recipient's (payer's) online banking system.
Electronic ID	Elctronic identification.
EMV	Abbreviation for Europay, MasterCard and Visa, a global standard for inter-operation of integrated circuit cards (IC cards or chip cards) and IC card capable point of sale terminals and automated teller machines (ATMs), for authenticating credit and debit card transactions.
E-Signing	Electronic signing service.
Financial acquiring	See acquiring.
Host Card Emulation (HCE)	On-device technology that enables e.g. a phone to perform card emulation on an Near Field Communication (NFC)-enabled device without relying on access to a secure element.
Issuer	The financial institution that creates cards to companies and consumers.
Merchant	Used in connection with 'acquiring'. Otherwise refered to as business, shop, store, outlet, etc., depending on contex.
m-commerce	Mobile commerce.
mPOS	Mobile point of sale.
NemID	NemID is a common secure login on the Internet, whether you are doing your online banking, finding out information from the public authorities or engaging with one of the many businesses that use NemID.
NetAxept	With NetAxept you can accept payments with several payment methods and with different currenciess via e.g. cards (Visa, MasterCard, Amex, DinersClub, JCB), bank payment buttons (i.e. all Scandinavian banks), invoicing solutions and PayPal.
NFC	Near Field Communication allows for simplified transactions, data exchange, and wireless connections between two devices in very close proximity to each other.
NICS	Norwegian Interbank Clearing System (NICS) is the Norwegian banks' joint system for clearing high value and mass payments (retail).
OCRgiro	OCRgiro is a form-based collection service for all types of bills. OCRgiro may be combined with eFaktura.

Primary account code (PAN)	Number code of 14 or 16 digits embossed on a bank or credit card and encoded in the card's magnetic strip identifying the issuer of the card and the account, and includes a check digit as an authentication device.
Payment processor	A company processing payment transactions between companies and consumers.
PCI DSS	The Payment Card Industry Data Security Standard (PCI DSS) is an information security standard for organisations that handle cardholder information for the major debit, credit, prepaid, e-purse, ATM, and POS cards.
PIN	Personal Identification Number
POS	Abbreviation for "mobile point of sale", i.e. the location where a transaction occurs.
PSP	Payment Service Provider
P2P	Person-to-person, e.g. P2P payment soltutions.
Real-time clearing	Allows instant clearing and settlement of payments.
SEPA	Single Euro Payments Area is a geographical area in which payments are made in euro.
Smart card	A card with an embedded microchip that can be loaded with data, used for e.g. electronic cash payments.
SME	Abbreviation for 'small and medium enterprises'.
Token	An electronic device or software to serve as proof of identity, e.g. as for accessing a network.
Two-factor authentication	A security process in which the user provides two means of identification: typically a physical token, e.g. a card, and something memorised, e.g. a security code.