Nets Holding A/S

# ANNUAL REPORT '15

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# Joint letter from the Chairman and CEO

# Building a strong foundation for future growth

Inge K. Hansen
Non-Executive Chairman
of the Board

Bo Nilsson
Group CEO

2015 was a year of transformation and investment at Nets, where we focused on building a strong foundation for future growth whilst also accelerating our business performance. We started the year by reorganising our business around our customers in order to get closer to their needs and priorities. We closed the year by refining our strategy and aligning behind a vision of powering digital payments in the Nordic region. We are confident that a customer-centric business model combined with significant investments in 2015 will reinforce our position in the Nordic payment ecosystem.

## ACCELERATING BUSINESS PERFORMANCE

2015 was a year of accelerated performance. We realised strong financial results in 2015 through business growth and operational efficiencies. Net revenue was up by 6% and EBITDA before special items by 35% compared with 2014.

During the year, we further strengthened our information security levels, both in terms of upgrading our platforms, improving our processes and strengthening security awareness among our employees. Security and stability are integral parts of the way we do business at Nets and prerequisites to keeping our customers' trust, and will continuously be improved.

## ORGANISING FOR FURTHER GROWTH

In 2015, we implemented a new operating model, dividing our business into three customer segments – Merchant Services, Financial & Network Services and Corporate Services. This has created a more focused and agile business that is closer to our customers and our markets and will help us continue to strengthen our service proposition and increase innovation.

With a number of key hires completed in 2015, we now have our Top100 managers in place across the new operating model. Key highlights include bringing on board Klaus Pedersen as Group CFO, Asger Hattel as new Head of Merchant Services, Niels Mortensen as new Head of Operations, Manne Tiensuu as new Head of HR and Karsten Anker Petersen as new Head of Group Communication.

## TRANSFORMING MERCHANT SERVICES

A key priority has been to strengthen our offering to merchants across the Nordic region through both organic and inorganic

investments. An example of our efforts in this area is the acquisition of Nordea Merchant Acquiring, which significantly expanded our business in Sweden – an area that will remain a focus for growth. Similarly, an agreement to acquire the majority of shares in Storebox was signed in December with closing date on 7 January 2016, enabling our merchants to offer their customers the ability to store e-receipts, deduct discounts and collect loyalty points on their mobile devices. Operationally, we also launched an easier customer onboarding process as well as an enhanced online merchant interface providing greater flexibility and enhanced data capabilities. Early feedback from these initiatives is encouraging.

**POWERING DIGITAL PAYMENTS**

Having laid the groundwork in the first half of the year, it was time to revisit our strategy in the fall. Our new vision, 'powering digital payments', places payments at the core of everything we do, with value-adding digitisation and security services as natural adjacencies. As digital payments become more ubiquitous in the Nordic region, our role as a centre of the payment ecosystem and with end-to-end responsibilities across the value chain becomes ever more strategic.

We see mobile payments as an exciting innovation opportunity and want to continue to enable a strong mobile payments ecosystem, making the Nordics the global benchmark for mobile payments technology. We are a natural partner for merchants, corporates and financial institutions, and we remain excited by the opportunities ahead for Nets and our customers in 2016 and beyond.

On behalf of the Board and the Executive Committee, we would like to thank everyone in the Nets organisation for their contribution to the 2015 result and transformation as well as our customers for the trust they have shown Nets and our stakeholders and partners for their continued collaboration in powering digital payments.

Inge K. Hansen
Non-Executive Chairman of the Board

Bo Nilsson
Group CEO

# Our business


Marriott

# Our business

Nets is a leading provider of payment services and related technology solutions across the Nordics.  We operate a centre for the payment ecosystem and operate a secure, reliable and deeply entrenched network which connects merchants, corporates, financial institutions and consumers, enabling them to make and receive payments as well as, increasingly, utilise value added services to help them improve their respective activities. Our primary focus is on the Nordics.

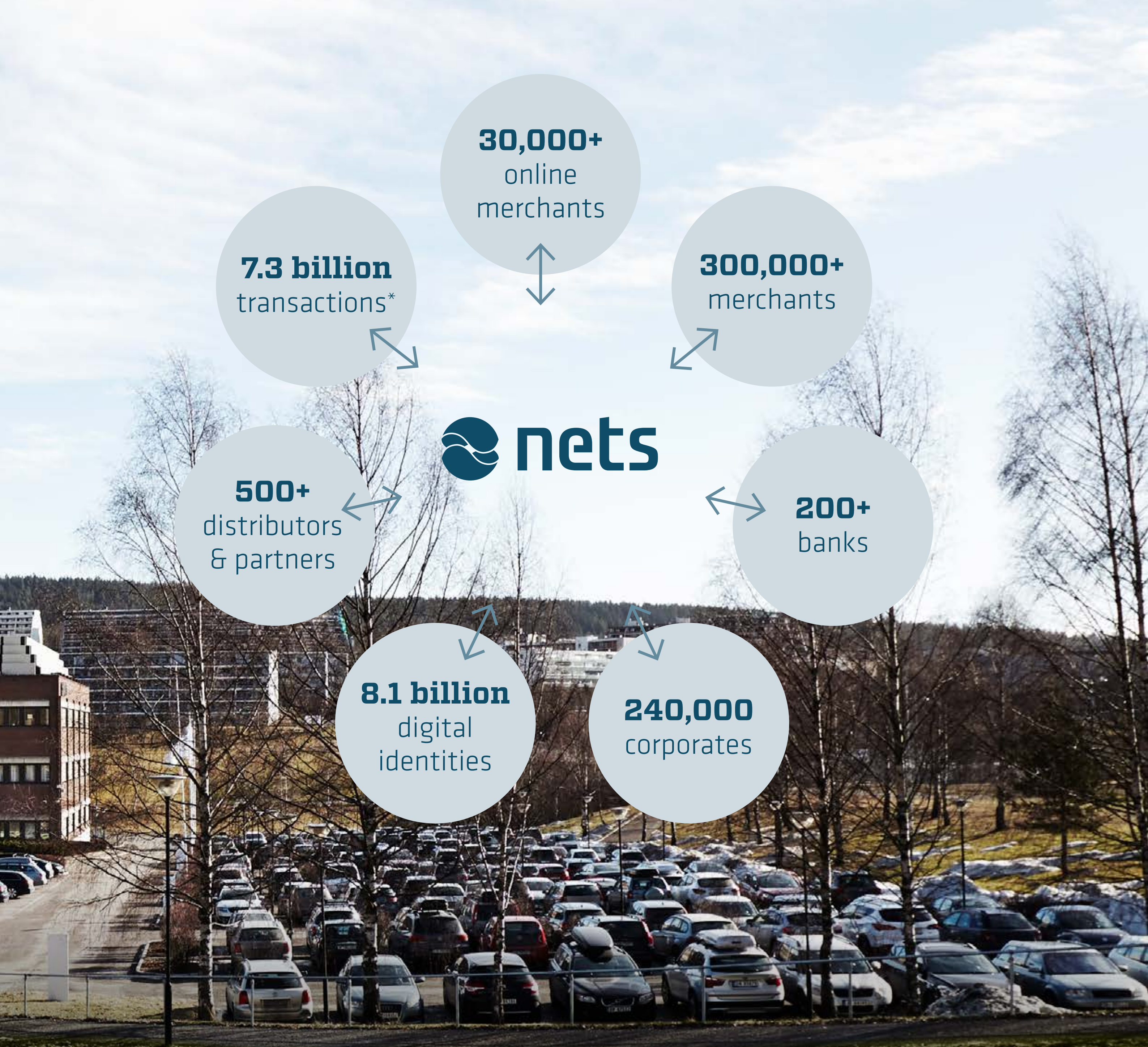
We operate across the entire payments value chain from payment capture and authorisation through to processing, clearing and settlement. We do this on both the merchant and corporate side of the chain as well as the card issuer and consumer side, and in some instances, we own and operate the scheme in between. We facilitate payments across all major channels – in person, online and over a mobile device – and all major types – local debit (i.e. Dankort and BankAxept), international debit/credit (e.g. Visa and MasterCard) and alternative methods (e.g. mobile and digital payment acceptance solutions (apps, wallets, etc.), recurrent payment solutions, credit transfers, etc.).

Nets is a leader payment provider both in terms of innovation and scale.  For more than five decades, we have been instrumental in developing a modern payment infrastructure, with the introduction of a number of innovative payment solutions to Nordic societies. In 2015, we processed over DKK 409 billion of payment volume and over 7.3 billion transactions across the Nordics.

We deliver our services through three customer-facing operating segments.


**Merchant Services** provides in-store, online and mobile payment acceptance solutions to more than 300,000 merchants across the Nordic region from large corporate chains to small and medium-sized enterprises (SMEs) and micro merchants. We serve our merchants through a broad set of distribution channels, including indirect partnership relationships such as bank referrals, value-added resellers and web developers as well as through our direct sales force. Our breadth of service, payment type and geographic coverage allows us to be a one-stop shop for merchants in the countries in which we operate. In 2015, Merchant Services generated DKK 1,866m of net revenue and 560m of EBITDA before special items (25% of our total).

**Financial & Network Services** provides outsourced processing services to more than 200 issuers of payment cards, primarily banks, across the Nordic region as well as complementary services including card management systems (CMS), fraud & dispute solutions, and mobile wallet technology. The business area also operates and processes the national debit card schemes in Denmark and Norway, branded Dankort and BankAxept, respectively.  In 2015, Financial & Network Services generated DKK 2,206m of net revenue and 811m of EBITDA before special items (36% of our total).




**Corporate Services** provides the payment platform for recurrent bill payments and credit transfer transactions for more than 250,000 corporates primarily in Denmark and Norway. At the centre of this business is the ability to provide a seamless and integrated solution for recurring bill payments to corporates and consumers (e.g. Leverandørservice and Betalingsservice). It also includes solutions for real-time clearing providing instant payments across bank accounts as well as the national digital ID systems in Denmark and Norway. In 2015, Corporate Services generated DKK 2,764m of net revenue and 880m of EBITDA before special items (39% of our total).

* Acquiring and issuing transactions.

# Highlights

## REVENUE

6% ↗

Revenue amounted to DKK 6,836 million, up 6% on 2014

## EBITDA BEFORE SPECIAL ITEMS

35% ↗

EBITDA before special items amounted to DKK 2,250 million, up 35% on 2014

## ADJUSTED EBIT

45% ↗

Adjusted EBIT amounted to DKK 1,979 million, up 45% on 2014

## CASH FLOW FROM OPERATING ACTIVITIES EXCLUDING CLEARING-RELATED BALANCES

25% ↗

Cash flow from operating activities excluding clearing-related balances amounted to DKK 1,655 million, up 25% on 2014

## STABILITY

99.9%

average uptime on card platform for Dankort and BankAxept in 2015

## DANKORT AND BANKAXEPT TRANSACTIONS COMBINED

7% ↗

2.7 billion transactions in 2015, up 7% on 2014

## NEMID USAGE RATES

12% ↗

NemID processed 733 million transactions in 2015, up 12% on 2014

## BANKID USAGE RATES

25% ↗

BankID processed 421 million transactions in 2015, up 25% on 2014

GROUPWIDE TRANSACTIONS

# 7.3 billion

card transactions processed across the Group in 2015*

CORPORATES AND BANKS

# 240,000

Nets serviced over 240,000 corporates
and over 200 banks in 2015

* Acquiring and issuing transactions.

# Financial performance

- Five-year financial summary
- Performance highlights and outlook for 2016

# Five-year financial summary

| DKKm | 2015 | 2014 | 2013 | 2012 | 2011* |
|---|---|---|---|---|---|
| **Financial performance** | | | | | |
| Revenue, net | 6,836 | 6,546 | 6,727 | 5,962 | 5,562 |
| EBITDA before special items | 2,250 | 1,663 | 1,525 | ** | ** |
| Adjusted EBIT | 1,979 | 1,365 | 1,194 | ** | ** |
| Net profit for the year | 1,037 | 652 | 613 | 698 | 621 |
| | | | | | |
| Total assets | 14,238 | 11,102 | 11,729 | 12,380 | 6,712 |
| Goodwill | 2,542 | 1,318 | 719 | 934 | 417 |
| Net clearing-related balances | -778 | 190 | -1,374 | ** | ** |
| Net cash | 2,267 | 1,726 | 2,479 | 2,255 | 1,974 |
| Non-current interest-bearing debt | 2,279 | 635 | 988 | 981 | - |
| Equity | 3,993 | 2,366 | 2,307 | 2,334 | 2,071 |
| | | | | | |
| Capital expenditure, net | 539 | 403 | 327 | 169 | 195 |
| | | | | | |
| Net cash from operating activities excl. clearing-related balances | 1,655 | 1,088 | 1,056 | ** | ** |
| Net cash from investing activities | -2,099 | 120 | -150 | -1,332 | -180 |
| Net cash from financing activities | 14 | 205 | -498 | 483 | -400 |
| Net change in own cash | -430 | 1,413 | 408 | ** | ** |
| Change in clearing-related balances | 989 | -1,564 | 6 | ** | ** |
| Net cash flow for the year | 559 | -151 | 414 | -244 | 94 |
| | | | | | |
| **Financial ratios** | | | | | |
| Organic growth | 6% | 1% | ** | ** | ** |
| EBITDA before special items margin | 33% | 25% | 23% | ** | ** |
| | | | | | |
| **Social performance** | | | | | |
| Employees: | | | | | |
| Employees (year-end FTE) | 2,413 | 2,618 | 2,578 | 2,861 | 2,290 |
| Employees (average FTE) | 2,513 | 2,608 | 2,682 | 2,443 | 2,231 |

* 2011 accounted for under Danish GAAP.

** Information not available.


pwc

# Performance highlights

In 2015, Nets realised strong financial results through solid revenue growth and a significantly improved cost structure and continued to invest in secure and stable operations, flexible and scalable IT services and innovative solutions. Financial results exceeded expectations for the year. Nets acquired Nordea Merchant Acquiring (in December) and Signaturgruppen A/S (in July) and increased its ownership in the Nordic e-commerce payment provider, DIBS, to 98.4%.

**NET REVENUE**
In 2015, net revenue increased by 4% to DKK 6,836 million, corresponding to organic growth of 6% adjusted for impact from changes in exchange rates and adjusted for acquisitions and disposal of business activities. In 2015, changes in exchange rates, especially the depreciation in NOK, impacted revenue negatively by approximately 3% while impact from acquisitions and disposal of business activities increased revenue by approximately 1%.

The growth has been realised through strengthened commercialisation of the business, increased sales force effectiveness and new solutions and product launches.

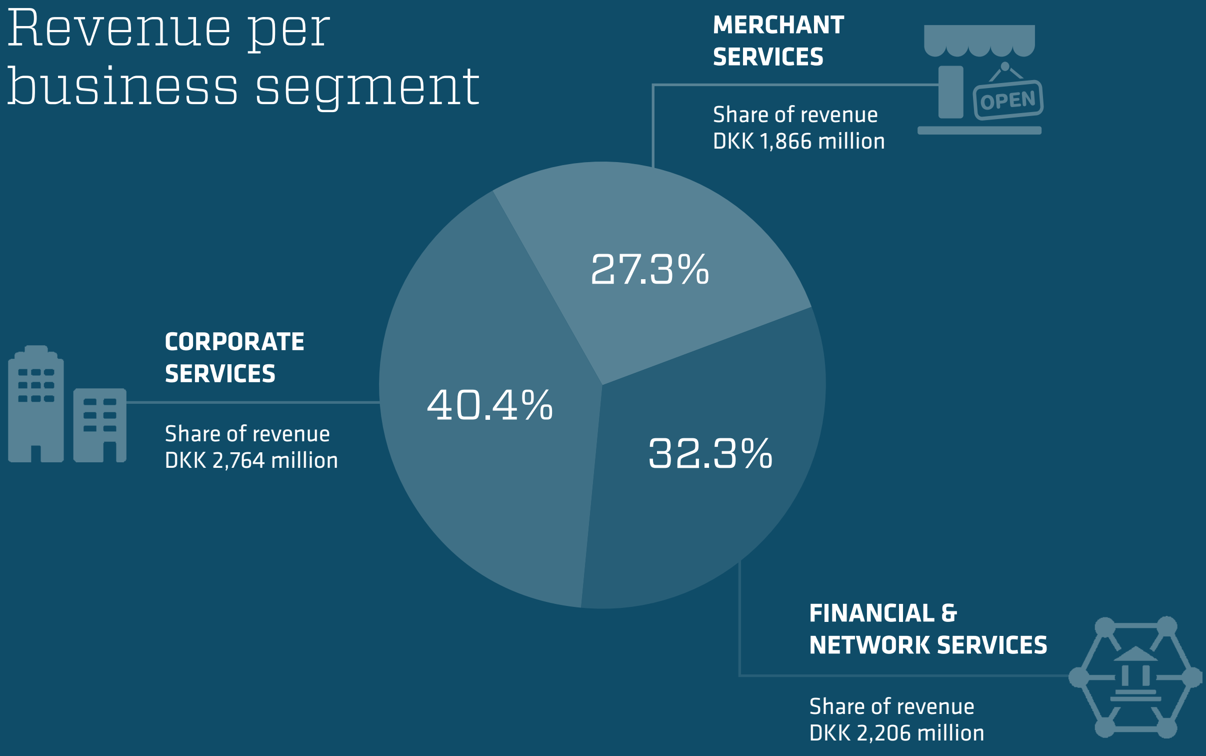
**EXPENSES**
In 2015, the efficiency in Nets was significantly improved leading to a reduction in total operating expenses of 6% to DKK 4,586 million compared to DKK 4,883 million in 2014.

Cost of sales decreased by 9% to DKK 983 million, external expenses decreased by 6% to DKK 1,731 million, and staff costs decreased by 4% to DKK 1,872 million. The decreases reflected improved operational procurement, a mixed shift in our POS business towards a higher proportion of rental-based terminals, a lower use of external consultants and impact from changes in exchange rates.

Management will maintain focus on the ongoing streamlining of operations including standardisation, simplification and consolidation of vendors, and improvement of commercial processes.

**EBITDA BEFORE SPECIAL ITEMS**
EBITDA before special items improved to DKK 2,250 million, up by DKK 587 million or 35% compared to 2014. The EBITDA margin before special items increased to 33%. Improved EBITDA before special items was a combination of growth in revenue and significantly improved operational efficiency.

## Revenue per business segment



## SPECIAL ITEMS

Special items totalled DKK 536 million, compared to DKK 411 million in 2014. Costs of transformation programmes, mainly related to external consultants, amounted to DKK 353 million compared to DKK 124 million in 2014. Costs of reorganisation and restructuring, including employee termination costs, amounted to DKK 159 million compared to DKK 109 million in 2014. Costs associated with business set-ups, acquisitions and disposals amounted to DKK 42 million compared to DKK 181 million in 2014, with the latter impacted by the sale of the Nets Group. Once the transformation programme completes, the special items will be significantly reduced.

## ADJUSTED EBIT

Adjusted EBIT improved to DKK 1,979 million, up by DKK 614 million or 45% compared to 2014. Underlying depreciation & amortisation amounted to 271 million, a decrease of DKK 27 million compared to 2014, mainly related to development projects being fully amortised during the year.

## AMORTISATIONS OF BUSINESS COMBINATION INTANGIBLES AND IMPAIRMENT LOSSES

In 2015, amortisations of business combination intangibles and impairment losses amounted to DKK 188 million, an increase of DKK 78 million compared to 2014 driven by impairment of one development project amounting to DKK 43 million and amortisations on new acquisitions.

## FAIR VALUE ADJUSTMENTS FROM ASSETS AVAILABLE FOR SALE AND LIABILITIES

Gain from fair value adjustment of other financial assets amounted to DKK 968 million and relates to the Group's share in Visa Europe within its subsidiary Nets Oy. Fair value adjustment on contingent consideration liability related to Visa Europe shares amounted to DKK 774 million. The Group is obligated to pass on proceeds from the shares in Nets Oy to the previous owners of the Nets Group when those are received (net of any costs and taxes). Consequently, the transaction has no impact on the net profit for the year.

## TAX

The effective tax rate for 2015 was 30.0% compared to 30.1% in 2014. The effective tax rate for 2015 was negatively impacted by the obligation to pass on received proceeds to the parent company of 10.0%, but also positively impacted by a final ruling from the Finnish tax authorities for deductibility of depreciation on intangibles related to the acquisition of Nets Oy in 2012 of 4.0%.

## STRATEGIC INVESTMENTS AND DIVESTMENTS

In 2015, Nets acquired the Nordea Merchant Acquiring business and the majority of shares in Signaturgruppen A/S. The ownership of DIBS Payment Services AB was increased to 98.4% (from previously 85,8%). In total, acquisitions amounted to DKK 1,570 million. On 7 January 2016, Nets completed the acquisition of Storebox A/S. Storebox A/S is a leading provider of e-receipts and loyalty solutions to merchants.

There were no divestments in 2015.

## ASSETS

On 31 December 2015, total assets amounted to DKK 14,238 million compared to DKK 11,102 million on 31 December 2014.

Total non-current assets amounted to DKK 4,785 million compared to DKK 2,881 million on 31 December 2014. Goodwill and other intangible assets increased by DKK 1,224 million and DKK 696 million, respectively, primarily driven by the purchase price allocations related to the new acquisitions.

Total current assets amounted to DKK 9,453 million compared to DKK 8,221 million on 31 December 2014. The increase in current assets was driven by other financial assets of DKK 2,428 million, consisting of the fair value of the Group's share in Visa Europe as of 31 December 2015. Additional proceeds could be received through the Group's branches in Sweden and Norway, although not recognised as of 31 December 2015 due to uncertainties. Clearing-related assets decreased by DKK 1,387 million mainly due to the exit of the co-issuing business in Finland amounting to DKK 1,221 million on 31 December 2014.

## *CAPITAL STRUCTURE*

### EQUITY

On 31 December 2015, total equity amounted to DKK 3,993 million equivalent to an equity ratio of 28% compared to 21% for 2014.

In 2015, equity was mainly impacted by DKK 1,139 million due to a fair value adjustment of the Group's shares in Visa Europe within its subsidiary Teller A/S. The Group is obligated to pass on these proceeds when received net of any costs and taxes to the previous owners of the Group. Equity was also impacted by group contribution between the Group's branches in Norway and the Group's parent companies Nassa Midco AS and Nassa Finco AS for the fiscal year 2014 executed in June 2015 and for 2015. Net positive impact from group contribution amounted to DKK 265 million corresponding to the net tax effect.

Impact from exchange rates was negative by DKK 119 million related to the depreciation of NOK versus DKK. In 2015 dividend payments amounted to DKK 698 million.

## *CASH FLOWS*

### CASH FLOW FROM OPERATING ACTIVITIES EXCLUDING CLEARING WORKING CAPITAL

Cash flow from operating activities excluding clearing working capital amounted to DKK 1,655 million in 2015, up by DKK 567 million compared to 2014, mainly driven by improved cash flow from operating activities.

In 2015, tax payments amounted to DKK 80 million compared to DKK 318 million in 2014. The decrease in tax payments was

due to the group contribution arrangement in Norway and positive outcome of the advance tax ruling in Finland related to the acquisition of Nets Oy (former Luottokunta Oy).

**CASH FLOW FROM CLEARING BALANCES**

Cash flow from clearing balances amounted to DKK 989 million in 2015 compared to negative DKK 1,564 million the year before. Year-end clearing balances are impacted by which day of the week the accounts are closed and the transaction volume in the days prior to closing.

**CASH FLOW FROM INVESTING ACTIVITIES**

Cash flow from investing activities amounted to DKK 2,099 million, including total acquisitions of DKK 1,570 million and investments in intangibles, mainly development projects, of DKK 394 million and purchase of plant & equipment of DKK 145 million.

In 2014, the cash flow from investing activities was positive by DKK 120 million due to divestments and sale of securities contributing by DKK 1,255 million. In 2014, acquisitions totalled DKK 731 million.

**CASH FLOW FROM FINANCING ACTIVITIES**

The cash flow used for financing activities was DKK 14 million including repayments of borrowings of DKK 1,079 million partly offset by proceeds from new borrowings of DKK 1,791 million in connection with acquisitions. Dividend payments in 2015 amounted to DKK 698 million. In 2014, the cash flow from financing activities was a net cash-in flow of DKK 205 million mainly due to proceeds from new borrowings of DKK 1,703 million in connection with acquisitions offset by repayment of loans of DKK 1,000 million related to the acquisition of Nets Oy in 2012 and dividend payments of DKK 498 million.

**OWN CASH**

On 31 December 2015 own cash amounted to DKK 1,489 million, down by DKK 430 million compared to 31 December 2014, primarily driven by high investing activities of total DKK 2,099 million, including acquisitions of DKK 1,570 million, offset by strong cash flow from operating activities excluding clearing balances of DKK 1,655 million.

**OUTLOOK 2016**

In 2016, Nets expects a year with solid organic growth in revenue and increasing EBITDA before special items margins. Nets will continue to streamline operations and processes and invest in innovative solutions with an ambition to create value to our customers, partners and shareholders and deliver on stability, security and integrity to build the future of Nets.

# Our strategy

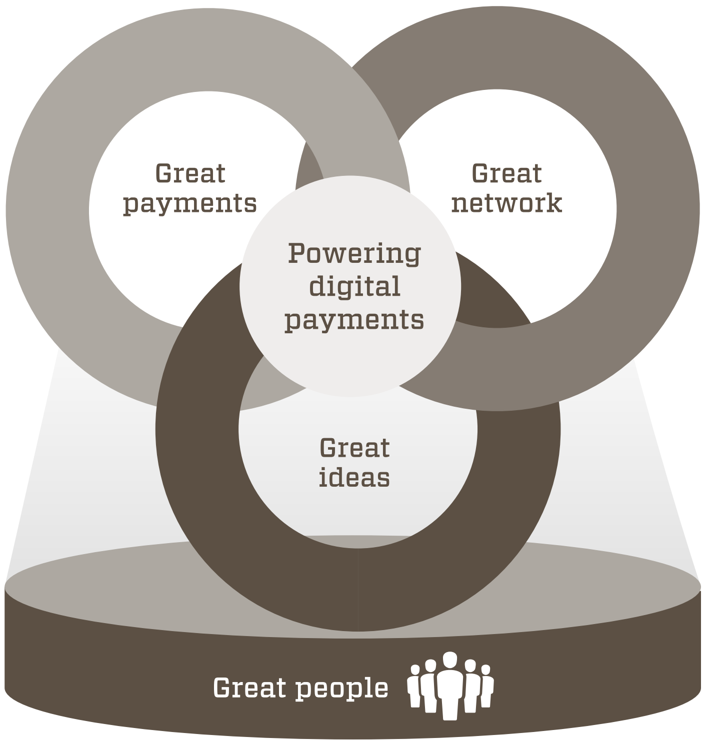

Utdanningsdirektoratet

# Our strategy

**POWERING DIGITAL PAYMENTS**
At Nets, payments have been at the core of our business ever since inception in 1968. Whilst our offerings to merchants, corporates, financial institutions, consumers and wider society may have evolved over time, payments of all types remain at the heart of everything we do.

The Nordics have led the way in the development of digital payments and related services globally. Positioned as a centre of the Nordic payments ecosystem, we have been an important contributor to this evolution for nearly 50 years. Our industry moves at a rapid pace and throughout we have been at the forefront of new technologies and product innovation. This pace of change is set to continue, and combined with the ongoing early adoption of technology in the Nordics, will remain a key driver of market growth and opportunity for Nets.

Our vision, "Powering Digital Payments", outlines our ambition to deliver successful and innovative solutions for our customers for years to come.  Our strategy is built around our customers encompassing four key elements: great payments, a great network and great ideas, all executed by great people.




**GREAT PAYMENTS** are simple yet efficient without compromising on security or reliability, and can be executed at low cost in multiple different forms – be it card or account-based. These payments are based on a **GREAT NETWORK** of frictionless entry points providing universal access in the Nordics for all consumers, corporates, merchants and financial institutions. This network is a centre for the payments ecosystem in the Nordics, it provides a set of services that are important to daily life in our core countries, and represents the backbone of our business upon which everything else is built on.

To provide **GREAT PAYMENTS** and a **GREAT NETWORK**, we bring **GREAT IDEAS**, taking on the role as innovative thought partner of choice, working together with our customers to co-create solutions that can be seamlessly integrated with third parties. This focus on innovation will secure our long-term future and help drive the realisation of a truly digital society. For this, as ever, we need **GREAT PEOPLE**.

## AN INTEGRATED CUSTOMER-CENTRIC APPROACH

Our solutions span across the entire payment value chain, and across all forms of payments. As such, we serve customers of all shapes and sizes, ranging from consumers through merchants, to large corporates, to the financial sector, and to governments. Our strategy and operating model allow us to leverage the power of the integrated network to offer specific value propositions to all customer segments based on their individual needs. We retain a strong Nordic focus, yet given the power of our platform, we are able to offer our customers the support needed wherever they are present.

Given our ambition to continually increase our customer focus, meet target market needs and remain agile, we have designed a new, efficient operating model. During the year, we re-organised our business into three customer-facing segments, namely Merchant Services, Financial & Network Services and Corporate Services. Our Group-level Technology and Operations units work to ensure digital enablement and rapid delivery across the business.

At Group level, we have deployed dedicated key account management structures to allow us to bring together subject-matter experts from across our business to serve our customers and the wider ecosystem. To monitor how well we execute against our targets and our customer-focused approach, we carry out an annual customer satisfaction survey.

Evidencing the success of our approach, many of the underlying parameters, including customer service, security, innovation and customer involvement, show an improvement in comparison with previous years. To complement our annual customer satisfaction survey, we carry out several delivery surveys throughout the year upon delivery and implementation of customer projects. Satisfaction with our ability to deliver customer projects has also been improving, moving up from 75 (2014) to 81 (2015). We continue to strive to learn from our customers' feedback to help us further improve our services.

CONSUMERS

"Making life easier, guaranteeing a secure experience across channels and technologies"

MERCHANTS

"Provide one-stop-shop payment solutions that optimise sales and customer retention"

CORPORATES

"Offering value-adding and efficient collection and payment-related solutions"

FINANCIAL INSTITUTIONS

"Embedded payment partner to jointly drive each of our customers' competitiveness"

SECTOR

"Provide access to interoperability, scale, compliance, expertise, and innovation"

PARTNERS

"Being the preferred partner for the Nordic digital payments ecosystem"

*FOR OUR CUSTOMERS, WE ENABLE A STRONG MOBILE PAYMENTS ECOSYSTEM, MAKING THE NORDICS THE BENCHMARK FOR MOBILE PAYMENTS*

**THE POWER OF OUR NETWORK**

Combined, our three segments cover the entire payment value chain across all types of payments serving hundreds of thousands of merchants & corporates, hundreds of banks and millions of consumers. We are able to leverage this great network to provide benefits to the wider ecosystem and, in an industry where product innovation is critical, it allows us to empower adoption of new solutions rapidly across society.

Our integrated **Mobile Strategy** is an example of our ability to adapt to the market developments. While mobile payments in the retail sector are now gravitating towards contactless payments, the supply of mobile payments in general is still quite fragmented. A number of mobile payment initiatives often deploy proprietary solutions – whilst Nets is focusing on international standards to ensure scalability and therefore rapid adoption by all market participants.

For our customers, we enable a strong mobile payments ecosystem, making the Nordics the benchmark for mobile payments. We are a strategic partner enabling leading mobile payment solutions across the Nordics and are developing the existing portfolio of Nets products and platforms accordingly. By introducing a new rapid delivery model for our mobile development, we reduce time to market, increase flexibility and agility and are able to work more closely with our customers.

Our main deliverables to the market in 2016 will be the launch of Nets' Token Services that allows for tokenisation of both international and domestic card schemes. Tokenisation is the secure enablement of payment cards used for mobile payment solutions – both bank branded as well as those brought to market by the global tech giants – by which the Primary Account Numbers (PANs) or other sensitive data are replaced by encrypted "proxy numbers" called tokens. With this launch, Nets will be perfectly positioned to benefit from the rapid expected growth in mobile payments across all segments.

**Data Analytics** is another area in which we are building new capabilities, as Nets is well positioned to help our customers optimise their businesses based on data analytics. In order to explore commercial opportunities, and answer a growing demand

for clarity and overview, we will leverage a deep understanding of merchants and the financial sector across the Nordics, and turn data into insights and business value for both customers and consumers. We are building on significant investments made in business intelligence and analytics platforms and will bring new products to market across our business segments.

Complementing our group-wide strategic priorities, our business units are each focused on delivering enhanced performance and developing new solutions for customers in line with their own specific customer-focused strategies.

**Merchant Services'** ambition is to be a one-stop shop value-adding payment services provider for all Nordic merchants as their front-end payment point, offering full front-end solutions for all types of enterprise. 2015 saw the strengthening of our integrated proposition for merchants and our e-commerce offering – these, along with continued growth in Sweden, are areas of continued strategic focus for the future.

**Financial & Network Services'** ambition is to deliver simpler, smarter and faster card-based payments and to continue to drive innovation for our customers and the network of Dankort and BankAxept users. In this vein, 2015 saw the delivery and rapid adoption of contactless payment functionality for Dankort and strengthened fraud prevention services for a number of our financial services customers. We will launch mobile contactless functionality in 2016 and continue to improve our card management and other value-added services offerings.

**Corporate Services'** ambition is to be the premium provider of account-to-account services, including recurring payment services & national clearing and settlement services, as well as to enable secure and convenient digital identity systems in Denmark and Norway and make business processes paperless through digitisation. Our focus for the future will continue to be on the development of enhanced recurring payment solutions and the wider deployment and adoption of real-time clearing solutions.

## BUILDING A BEST-IN-CLASS OPERATIONAL PLATFORM

Our primary focus is delivering stable and secure payments for the Nordics. In order to deliver these important services to our society we continuously invest in our technology and operational systems to deliver successful outcomes. We have made significant progress throughout 2015 in delivering simple scalable architectures that will remain a core focus for the future.

Being able to rapidly develop and deliver new technology solutions to our customers across all our businesses, and use our great network to drive adoption, is a critical competitive advantage and hence we remain focused on improving our IT delivery model so as to accelerate our time to market.

## GREAT PEOPLE

In support of our new, customer-centric operating model, a number of key hires have been made in 2015 to ensure we have the right leadership for our three segments and our corporate areas, including Technology and Operations.

The implementation and execution of our strategy throughout the business remains a top priority. We want to develop a leadership culture that will empower people, hold them accountable and engage them in our transition from good to great. Ensuring that every person sees a direct link between his or her personal objectives and those of the business is key. These targets are ultimately linked to the individual's reward system.

Our incentive programme covers all permanent employees as we wish to reward achievements at all levels where people go above and beyond and create a significant impact on the business. In 2015, 66% of our employees were rewarded in our incentive programme Performance Pay, based on their 2014 performance.

*WE WANT TO DEVELOP A LEADERSHIP CULTURE THAT WILL EMPOWER PEOPLE, HOLD THEM ACCOUNTABLE AND ENGAGE THEM IN OUR TRANSITION FROM GOOD TO GREAT*

# Business unit performance

- Merchant Services
- Financial & Network Services
- Corporate Services


SHOP
LATE
FOR LESS
18-20
HVER WEEKEND
QUIKS
Nykre
KONTANTER


# Merchant Services

Merchant Services provide our merchant customers with payment acceptance solutions across channels (in store, online and mobile) and with the broadest range of payment methods in the Nordic region, including Visa, MasterCard, JCB, American Express, Union Pay and local payment methods. Merchant Services are present across all Nordic and Baltic countries and work with a broad set of value-adding partners across the region.

Merchant Services manage and simplify our merchants' payments flows. We enable merchants to accept payments, easily and without friction regardless of channels, receive the settlement in their bank account and get detailed reconciliation information and statistics, all in different currencies depending on merchant needs and consumer preferences.

Revenue is primarily driven by a fee per transaction with monthly subscription fees for additional services.

## PERFORMANCE

The underlying transaction volume is continuing to grow steadily during the year across our geographies with e-commerce volumes continuing to experience double digit per cent growth in the Nordic region. Merchant Services has experienced increased growth during 2015 compared to the previous year driven by increased commercialisation across the organisation as well as significant increase in e-commerce growth from the acquisitions made in 2014.

| | Year ended 31 Dec 2015 | Year ended 31 Dec 2014 | Year over year change |
|---|---|---|---|
| **DKKm** | | | |
| Total transaction value (bn) | 306 | 301 | 2% |
| Revenue | 1,866 | 1,687 | 11% |
| Organic growth | 7% | - | - |
| EBITDA before special items | 560 | 426 | 31% |
| EBITDA b.s.i. margin | 30% | 25% | 19% |

*MERCHANT SERVICES ARE ACTIVELY INVOLVED IN ENABLING MERCHANTS TO ACCEPT VARIOUS MOBILE-BASED PAYMENTS*

As mobile payment solutions continue to grow, Merchant Services are actively involved in enabling merchants to accept various mobile-based payments. Examples include enabling contactless terminals across the Nordic region to accept bank-issued wallets, Samsung Pay and Apple Pay payments as well as supporting acceptance of bank and merchant-driven mobile payment solutions based on cards, invoices and direct bank payments. In addition, together with selected Nordic anchor merchants, Merchant Services are building mobile-based commerce, loyalty and instant marketing solutions.

With the acquisition of Nordea Merchant Acquiring, we have significantly expanded our business in Sweden – an area that will remain a focus for growth. The acquisition is part of the broader partnership with Nordea and will see Nets and Nordea offer combined payment acceptance. It will also further increase our distribution reach to SMEs by leveraging the Nordea branch network in the Nordics. At the end of the year, we signed an agreement to acquire Storebox, a provider of e-receipts, to enhance our offering within loyalty and information value-added solutions to our existing merchant customer base.


# Key highlights

- Launch of new merchant portal for SMEs providing merchants with significantly improved insights into their business performance
- Launch of Nets EasyBiz to simplify payment acceptance for new merchants by packaging terminal and relevant payment methods into one agreement
- Enablement of terminals to accept NFC wallets, Apple Pay, Samsung Pay and other original equipment manufacturer (OEM) pays
- Significantly increased momentum in SME customer segment and increased cross-sell agreements across multiple partner channels. High growth in e-receipt and related value-added services

# Financial & Network Services

Financial & Network Services provides processing services for issuers of payment cards, primarily banks, in the Nordic region as well as complementary services including Card Management Systems, Fraud & Dispute solutions, and Mobile Services.

The business area also operates and processes the national debit card systems in Denmark and Norway, branded Dankort and BankAxept, respectively. These schemes have been instrumental in the establishment of a modern Nordic electronic card payment infrastructure, currently processing over 2.7 billion transactions a year.

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

## PERFORMANCE

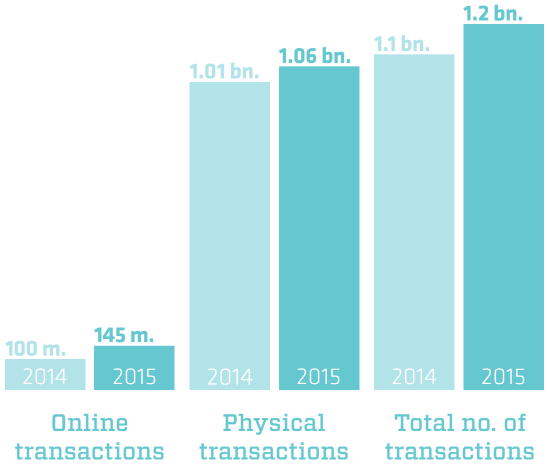
In 2015 the underlying number of transactions processed by Financial & Network Services grew 7%.

| | Year ended 31 Dec 2015 | Year ended 31 Dec 2014 | Year over year change |
|---|---|---|---|
| **DKKm** | | | |
| Total transactions processed (bn) | 4.9 | 4.6 | 7% |
| Revenue | 2,206 | 2,097 | 5% |
| Organic growth | 11% | - | - |
| EBITDA before special items | 811 | 517 | 57% |
| EBITDA b.s.i. margin | 37% | 25% | 49% |

During the year Financial & Network Services has managed to increase its customer portfolio with new clients in Sweden and the Baltics while also supporting existing customers in their efforts to offer new card products and services. This ranges from the roll-out of contactless cards to the launch of mobile wallets. Financial & Network Services have also managed to penetrate the customer portfolio with existing value-added services.

In August 2015, Danish banks issued the first contactless Dankort, developed by Nets together with the Confederation of Danish Enterprise and Danish banks. The contactless technology has been well received among merchants and consumers and the number of monthly transactions has increased steadily since the launch. The launch was a first step towards the development of mobile contactless Dankort payments which is planned to be introduced in the second half of 2016.

### Dankort transactions




*In 2015, we saw a 9% increase compared with 2014 in the total number of Dankort transactions, with a 5% increase in physical transactions and a 45% increase in online Dankort transactions, including P2P payments.*

# Key highlights

- New contactless card deliveries spanning Denmark, Finland and Sweden
- Contactless Dankort launched August 2015 and mobile enablement announced for autumn 2016
- Delivery of Card Management System to new and existing customers
- Roll-out of Fraud Prevention in Norway
- Launch of Nets white label wallet solution with Eika in June 2015
- Processing contract with BankAxept AS (the Norwegian national debit card) prolonged until 2018

# Corporate Services

Corporate Services provides a payment platform for recurrent bill payments and credit transfer transactions for corporates historically primarily in Denmark and Norway. At the centre of this business is the ability to provide a seamless and integrated solution for recurring bill payments to corporates and consumers (e.g. Leverandørservice and Betalingsservice). It also includes solutions for real-time clearing providing instant payments across bank accounts as well as the national digital ID systems in Denmark and Norway

For the majority of its revenue, Corporate Services' revenue model is transaction-based and built upon a strong network of payees and payers featuring recurring payments as the core value proposition. The model was historically reached in collaboration with banks. In Norway, the services are sold to the banks, which sell them to their business customers, while in Denmark the services are sold directly to corporates.

## PERFORMANCE

In 2015, key transaction volumes grew 6%. As in previous years, the growth in Norway was higher compared to Denmark as the household penetration of the direct debit and invoicing solutions is higher in Denmark than in Norway.

| | Year ended 31 Dec 2015 | Year ended 31 Dec 2014 | Year over year change |
|---|---|---|---|
| **DKKm** | | | |
| Total transactions volume (bn) | 0.83 | 0.78 | 6% |
| Revenue | 2,764 | 2,762 | 0% |
| Organic growth | 2% | - | - |
| EBITDA before special items | 880 | 719 | 22% |
| EBITDA b.s.i. margin | 32% | 26% | 22% |

Within clearing, demand rose due to dynamics in both end-customer preferences and new digital potentials. On top of the existing services relating to the Norwegian Interbank Clearing System (NICS) in Norway and Sum- & Intraday clearing in Denmark, RealTime24/7, Nets' express clearing solution, took off as an infrastructure basis for the mobile platforms known as peer-to-peer (P2P) payments.

Within the first year, 70 million transactions were handled with monthly growth rates of more than 15%.

Within solutions for digital identity, Nets' Danish solution (NemID) processed 733 million transactions, up 12% on 2014, which means a NemID was used 13.3 times a month. In November 2015, NemID celebrated more than 3 billion transactions processed since its launch in 2010. Nets' Norwegian solution (BankID) processed 421 million transactions, up 25% on 2014, which means a BankID is used 7.5 times a month. The upgraded and faster solutions of NemID and BankID launched at the end of 2014 are the main drivers of the increase.

# Key highlights

- Launched improved payment portal solution in Norway for faster and more convenient sign-up to direct debit and e-invoicing solutions in Norway for debtors and creditors
- Completed transition to upgraded and faster digital ID solution in Denmark and Norway
- Successful introduction of real-time clearing solution providing instant account-to-account payments

# Our platform: security and stability

*INFORMATION SECURITY IS NOT ONLY A MATTER FOR THE IT DEPARTMENT, BUT AN IMPORTANT TOPIC THROUGHOUT THE ORGANISATION*

# Our platform

**SECURITY AND STABILITY**
In the past two years we have made significant investments in further strengthening our information security levels while also expanding our security organisation, thereby placing Nets among the companies with the most extensive IT security departments in the Nordics.

We thoroughly screen and educate new employees and on a regular basis conduct mandatory security awareness e-learning programmes for all employees across the Group. It is essential that everyone at Nets, regardless of job function, understands the fundamental security principles and acts accordingly in order not to expose the company to external threats.

We have accelerated the technical upgrades of our platforms and further improved our operational processes. The new agreement signed with IBM on 27 November will provide improved terms and conditions as added bonuses in our quest to obtain the highest standards possible within security and stability.

Nets operates important payment platforms in the Nordic and Baltic regions. High levels of security and stability are our licence to operate and are on the agenda at every board and executive committee meeting at Nets. Information security is not only a matter for the IT department, but an important topic throughout the organisation, and our customers need to be able to trust that we set the bar very high within this area, with procedures reflecting the level of professionalism rightly expected from a supplier handling sensitive data. On a positive note, our customer satisfaction survey shows an upward trend, allowing us to conclude that Nets in general is perceived by our major customers as a company with a high level of security in our operations.

Information security threats and demands in our industry have risen and diversified considerably in recent years, and it is imperative that our internal procedures and security budget reflect this development. Safeguarding a company 100% against internal or external information security threats is an illusion if we are to maintain satisfactory usability levels, but our ability to quickly identify and readily handle potential threats to mitigate the negative impact of an incident is crucial.

# Risk management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# Risk management

We operate in a competitive market for payments and digital services which is characterised by changes to technology, business and operations, making risk management an integral part of doing business at Nets. Our company's position at the forefront of the financial technology innovation, operating within an environment of shifting EU-regulation and increasing cybercrime, drives an ever-shifting risk landscape. In order to navigate in this environment and create continued value for our stakeholders, we have set a clear course of action for managing the risks facing Nets.

**GOVERNANCE OF RISK AT NETS**

At Nets, we operate a tiered approach to risk governance.

The Board of Directors is responsible for the overall governance of Nets and oversees our risk landscape, sets the company's risk appetite, tolerances and limits and approves strategies and policies within the area of risk, security and business continuity.

The Board appoints an Audit Committee which monitors, amongst other tasks, risk management strategies, policies, process and methods.

A three lines of defence model is implemented throughout the organisation and forms the basis for risk decision-making within Nets.

# Governance model


**The first line of defence** is formed by the business and group units performing the day-to-day risk management activities by identifying, assessing and treating risks. The business units and group functions are risk owners and thus responsible for compliance with legal, contractual and regulatory requirements as well as risk management in relation to IT systems, information security, business continuity, projects and processes.

**The second line of defence** is our Risk Management group function, responsible for setting policies, methods and tools for risk-based decision-making, control and reporting. The Risk Management function leads risk assessments as well as deep dives within the following categories: business, financial, IT and compliance. Based on these risk assessments and the risk landscapes from the units, the Risk Management function maintains a consolidated Nets Risk Landscape. This is submitted to the Executive Committee and the Audit Committee and finally to the Board of Directors.

**The third line of defence** is undertaken by our internal and external auditors and thus serves as an independent assurance concerning the risk and control functions performed by the first and second lines of defence.

## RISK METHODOLOGY & REPORTING

At Nets, our risk management methodology adopts the risk management approach of the ISO 31000 standard with a continuous risk management process as follows:

The risk reporting reflects the three lines of defence and has our risk landscape as its point of reference in the risk management process. Each business unit and operational unit develops its own risk landscape. The landscape reflects inherent risks related to our business but also risks stemming from the use of IT systems and operational processes, financial activity and compliance/legal matters.

During 2015, new parameters of reporting have been introduced to further strengthen the treatment of risks in the chain from business unit to the Executive Committee and the Board of Directors.

# Key risks

| RISK AREA | DESCRIPTION | MITIGANT |
|---|---|---|
| **Market / Competition** | Developments in the competitive landscape may lead to a loss of customers and increased price pressure. Further, technological evolution can lead to disruption to existing products and services and a reduction in the historic revenue and profit pools. | • In order to stay competitive, we survey market developments and continuously develop existing and new offerings. Remaining focused on delivering in relation to our customers and maintaining a focus on innovation positions the business well to be at the forefront of technological change. |
| **Customers** | Failure to manage customer expectations and needs. | • Our customer relations are managed through dedicated key account managers and service-level agreements to ensure we deliver according to expectations.<br>• A general Customer Satisfaction Index survey (CSI) is conducted annually, and a dedicated CSI is conducted at the delivery of special projects. |
| **Products & Services** | Risk of being unable to develop new competitive products and services in a timely, cost-efficient manner and to the expected quality. | • Time to market is becoming ever more important to our customers, and in 2015 we implemented a new governance structure to create more efficient decision processes and decrease delivery time. Innovation remains a core focus of the business.<br>• The cost aspect has been addressed through a group cost-savings programme. |
| **Vendors & Partners** | Risks related to establishing, managing and terminating vendor/partner relationships. | • In order to keep focus on key competencies, we have chosen to use vendors & partners in areas in which it will provide more value to our customers.<br>• Risks related to outsourcing activities are managed through customer contracts in which e.g. the Nets Security Policy is enforced to our customers.<br>• A structured governance set-up with regular meetings, reporting service-level agreements, and audits. |
| **Technology & Information** | Risks related to the development and use of technology and the confidentiality, integrity and availability of customer and company information. | • We control these risks by conducting best practice within IT and operational processes, risk management and security.<br>• We have a security framework to ensure that requirements and controls are implemented and monitored in regard to secure and stable operations.<br>• Special attention is given to maintaining a corporate-level business continuity management framework.<br>• Critical systems have disaster recovery plans and fall-back solutions.<br>• Fall-back solutions are tested regularly in conjunction with our customers and suppliers in accordance with agreed requirements.<br>• We participate actively in national cyber security and crisis drills due to our role as an important payment service provider for society.<br>• We have our own Internal Systems Audit department to provide the Board of Directors with independent assurance as to the effectiveness of controls. |
| **Legal & Compliance** | Risks related to legislative, contractual and industry requirements, expectations and liabilities. | • We continuously scan the regulatory landscape to ensure that we can influence a sound decision-making process, and to ensure timely implementation of new regulatory requirements.<br>• We have a dedicated compliance function and apply the three lines of defence model. |
| **Financial & Fraud** | Risks related to the management of customer transactions, merchant default and development in the financial markets. | • In the acquiring business, our company is exposed to credit risk through the potential inability of merchants to deliver contractual services or refund the associated payment.<br>• The credit risk is managed through a due diligence process before customers are approved.<br>• The existing credit risk exposure is managed through deferred refunding, guarantees, insurance and ongoing surveillance of exposure.<br>• Foreign exchange and liquidity risks are handled through cash management and hedging. |
| **Mergers & Acquisitions** | Risks related to the integration of new business as well as risk of not being able to extract the full value of potential synergies. | • Strategic focus and commitment are established on integrating existing acquisitions, as well as selective, future acquisitions. |

# Corporate Governance

The Board of Directors has established board committees with the purpose of supporting the board and advising it on fulfilling its responsibilities to shareholders, employees and other stakeholders of the Company. In order to strengthen the competences in the board, Monica Caneman and Per-Kristian Halvorsen have been elected as independent board members. The Board of Directors has established two committees:

- Audit Committee
- Remuneration Committee

Reporting to the Board of Directors, the committees have individual charters defining their main tasks and responsibilities.

**AUDIT COMMITTEE**
The Board of Directors has established an Audit Committee, which currently consists of four members. The committee's role is to assist the Board of Directors with the oversight of external auditors, Internal Systems Audit, financial reporting, risk management, corporate social responsibility and the whistleblowing scheme.

The Board of Directors appoints committee members and the committee chair. The committee meets at least four times a year.

**REMUNERATION COMMITTEE**
The Board of Directors has established a Remuneration Committee consisting of three members of the Board of Directors. The committee's role is to review and make recommendations to the Board of Directors regarding remuneration strategy and policy, remuneration of the CEO, the Executive Committee and the board members. The Board of Directors appoints committee members and the committee chair. The committee meets at least four times a year.

# Corporate Social Responsibility

# Corporate Social Responsibility

Nets plays a central role in the digitisation of the Nordic countries through our focus on powering digital payments and through our services within digital identities and digitisation of paper-based processes.

Our primary social responsibility is to help ensure that our modern societies function in a safe and efficient manner within the areas of digital payments, security and identities for the benefit of citizens and businesses alike. As a company we fully recognise and respect the social impact we have on the communities in which we operate and work continuously to earn the trust of our many stakeholders.

Our CSR strategy outlines our work towards strengthening our profile and reputation in the eyes of our customers, shareholders and general stakeholders as a responsible corporate citizen.

Nets' CSR strategy is based on the ten principles set out in the UN Global Compact with a focus on the four main areas of: a) Human rights, including diversity, b) Supply chain management, c) Climate and environmental impact, and d) Community involvement. Nets is not a member of the UN Global Compact but we respect and adhere to the ten principles.

Our CSR strategy is based on a foundation of ethical guidelines that are mandatory to comply with for all employees across the Nets Group. Our ethical guidelines are publicly available on our website www.nets.eu as well as on the company intranet The e-learning programme on ethical conduct will be rolled out in 2016.

### HUMAN RIGHTS

Nets' approach to human rights is firmly based on our core values and ethical guidelines. Our Human & Labour Rights policy is guided by the United Nations' Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. The policy covers key issues of importance to the Nets Group and our employees. Nets' Group policy on Human and Labour Rights applies to all wholly-owned subsidiaries, including all employees in those companies.

## PROGRESS IN 2015

### DIVERSITY

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

Nets seeks to approach a gender balance (40/60) of capable female and male executives at the top six levels in the company. As of 31 December 2015, the number of women in management positions accounted to 34% which is a decline from 2014 (37%) and below our target of 40%.

In 2016 we will continue our focus on gender balance through activities such as:

- A focus on offering 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

### BOARD OF DIRECTORS

By the end of 2015, the Board of Directors consisted of 11 male executives including four employee representatives. Nets' Board of Directors aimed to include at least one female board member by the end of 2017, bringing the company up to the Danish industry average.

Our objective with regard to gender diversity on the Board of Directors was met in March 2016 with the inclusion of Monica Caneman on the Board.

### WHISTLEBLOWING

In 2014 Nets implemented a whistleblower scheme, under which employees, management and externals may report serious violations or misconduct, or suspicions thereof that may influence the Nets Group as a whole or the life or health of an individual. Reports are received and investigated by an external law firm, and reports may be submitted anonymously.


**SUPPLY CHAIN MANAGEMENT**
Operating in an international context, Nets is fully committed to complying with existing legislation, and we recognise international business standards applying to our field of work. Moreover, we advocate for sound business practices throughout our value chain.

Our supply chain policy is included in all agreements between suppliers and Nets. In cases where specific issues arise that require documentation, we work closely with our suppliers to handle these.

PROGRESS IN 2015

During the year we have worked with customers requesting information on our CSR policy and actions. In no cases have these requests raised concern from customers.

In 2016 we will continue our ongoing open dialogue with customers on inquiries and concerns from customers regarding our CSR work.

**CLIMATE AND ENVIRONMENTAL IMPACT**
We support a preventative approach to environmental challenges and a responsible way of conducting our own business operations.

We are committed to being an environmentally conscious service provider and business partner and work strategically and systematically based on the requirements of our ISO140001 certification towards minimising our environmental impact at every level of our organisation.

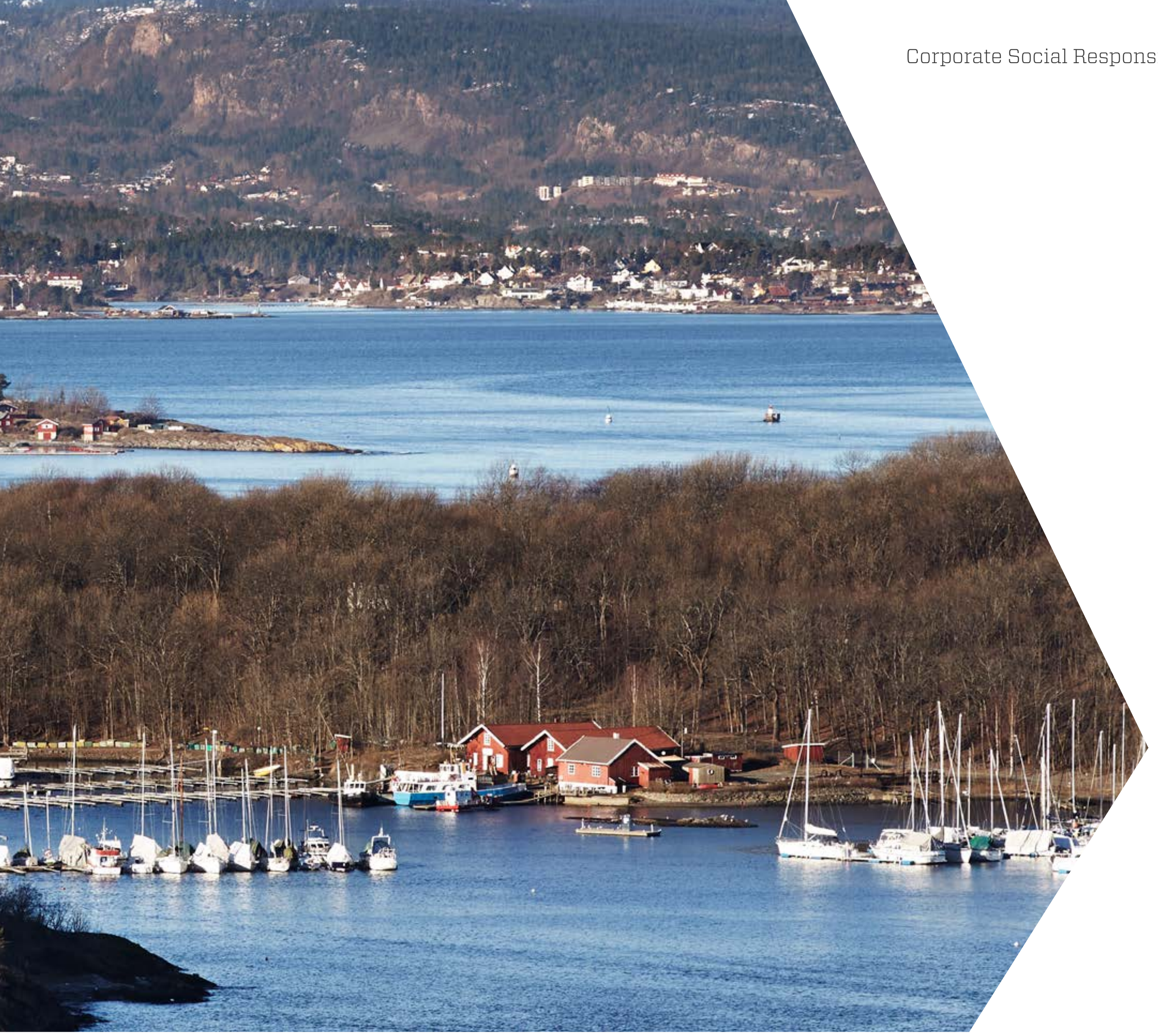
PROGRESS IN 2015

2015 was the first year that our ISO14001 system was in daily operation. Consistent with Nets' environmental policy, planned actions and activities within our four focus areas have been carried out resulting in positive results within all four areas.

*Reduction in CO2 emissions from travel between locations*
2,584 tonnes CO2 saved – a 57% decrease compared to 2014

*Reduce energy consumption for building operations*
Energy consumption reduced by 7% compared to 2014

*Reduce usage of paper for internal print output*
Internal print output reduced by 1,475,000 sheets of paper or by 20% compared to the baseline established in 2014



*Reduce quantity of waste and ensure improved recycling*
Total quantity of mixed waste reduced by approx. 16 tonnes or approx. 9% compared to the baseline established in 2014.

In 2016, we will continue to raise awareness of our environmental policy throughout the organisation.

**COMMUNITY INVOLVEMENT**
As an international corporate citizen, Nets supports causes that are close to our business and will have a positive impact on people and communities in general. Nets has chosen to primarily promote children's education, both in general and within IT and IT security-related areas, but also supports more general activities that have an impact on the communities in which we operate.

PROGRESS IN 2015

In 2015, we engaged in a programme to support the education of children in state schools within the area of digital security. In 2015, a pilot was run in selected schools and will continue in an updated version in 2016 addressing a wider audience.

During the year, we have supported a number of organisations and causes. Save The Children Denmark have received donations from our customer satisfaction survey, where we donate DKK 50 per respondent, along with the proceeds we get from the sale of second-hand hardware through our broker. At the national collections 'Danmarks Indsamling' and 'The Danish Cancer Society', we donated DKK 50,000 to each cause.

We have also continued our partnership with ISOBRO – the Danish collection agencies' trade association – to support more effective collection methods as well as by contributing to the training of organisational staff.

In 2016 we expect to continue our support related to our overall purpose of supporting children's education and IT security.

# Board of Directors

**INGE K. HANSEN**
(born 1946)

Chairman of the Board of Directors
Joined the Board in 2014

Other management and board duties:
Harding AS, Skiskytter VM 2016 AS, Hotell- og Restauranthuset Continental AS, Siriusungen AS (own investment company), Troms Kraft AS, Norsun AS, Arctic Securities AS, Gjensidige Forsikring ASA, Core Energy AS, Core Energy Holding AS, Norsk Hydro ASA, Sissener AS and the Fram Museum

**HUMPHREY BATTCOCK**
(born 1955)

Managing Partner, Advent International plc
Joined the Board in 2014

Other management and board duties:
The Priory Group, Worldpay Group plc and The Woodland Trust

**JAMES BROCKLEBANK**
(born 1970)

Managing Partner, Advent International plc
Joined the Board in 2014

Other management and board duties:
Instituto Centrale delle Banche Popolari Italiane S.p.A. (ICBPI), Worldpay Group plc and Gifford Hall Farms Limited

**ROBIN MARSHALL**
(born 1970)

Managing Director, Bain Capital Europe, LLP
Joined the Board in 2014

Other management and board duties:
Naga UK Bidco Limited, Naga UK Topcp Limited, Naga 1 (BC) S.a.r.l., Naga 2 (BC) S.a.r.l., Nassa A/S and Instituto delle Banche Popolari Italiane S.p.A. (ICBPI)

**CHRISTOPHE JACOBS VAN MERLEN**
(born 1978)

Managing Director, Bain Capital Europe, LLP
Joined the Board in 2015

**JOHN HELMSØE-ZINCK**
(born 1958)

Managing Partner, Via Venture Partners A/S
Joined the Board in 2014

Other management and board duties:
Adra Match AS, Nordic International Holding AS, Retail Support International ApS and DDD Retail A/S

**PER-KRISTIAN HALVORSEN**
(born 1951)

Chief Innovation Officer and Senior Vice President, Intuit
Joined the Board in 2015

Other management and board duties:
Iron Mountain Inc. and Autodesk Inc.

**MONICA CANEMAN**
(born 1954)

Chairman of the Audit Committee
Joined the Board in 2016

Other management and board duties:
My safety, The Fourth AP Fond,
Arion Bank hf, Iceland, SAS AB,
Intermail AS, Denmark, BigBag AB,
ComHem AB, Viva Media AB,
Bravida Holding AB.

**LARS M. HAGA**
(born 1958)

Procurement Category Manager and Chief Shop Steward, Nets Branch Norway
Employee representative
Joined the Board in 2013
Term expires in 2016 (every four years)

**OVE KOLSTAD**
(born 1958)

Team Manager, Operational Support Systems, Nets Branch Norway
Employee representative
Joined the Board in 2012
Term expires in 2016 (every four years)

**FRANK A. OLSEN**
(born 1960)

Chief Shop Steward, Nets A/S
Employee representative
Joined the Board in 2003
Term expires in 2016 (every four years)

**ULRIK R. THOMSEN**
(born 1965)

Systems Consultant, Shop Steward, Nets A/S
Employee representative
Joined the Board in 2008
Term expires in 2016 (every four years)

# Executive Committee

**BO NILSSON**
(born 1965)

Group CEO

Bo Nilsson joined Nets as Group CFO in May 2013, and was appointed Group CEO in August 2014.

Management and board duties in a number of companies within the Nets Group.

**KLAUS PEDERSEN**
(born 1967)

Group CFO

Klaus Pedersen joined Nets in 2015 as Group CFO.

Management and board duties in a number of companies within the Nets Group.

**SUSANNE BRØNNUM**
(born 1969)

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

Susanne Brønnum was with Nets from 1990-1995 and joined the company again in 1997.

Management and board duties in a number of companies within the Nets Group.

**ASGER HATTEL**
(born 1971)

Group Executive Vice President, Merchant Services

Asger Hattel joined Nets in April 2015.

Management and board duties in a number of companies within the Nets Group.

**FRODE ÅSHEIM**
(born 1978)

Group Executive Vice President, Corporate Services

Frode Åsheim joined Nets in 2006.

Management and board duties in a number of companies within the Nets Group.

**FREDDY HARALDSEN**
(Born 1963)

Group Executive Vice President, Sector & Government – and CEO of Nets Norway

Freddy Haraldsen joined Nets in 1997.

Management and board duties in a number of companies within the Nets Group.

**PIA JØRGENSEN**
(born 1964)

Group Executive Vice President, Technology

Pia Jørgensen joined Nets in 2014.

**NIELS MORTENSEN**
(born 1965)

Group COO, Operations

Niels Mortensen joined Nets in 2015.

**MANNE TIENSUU**
(born 1970)

Group Executive Vice President, HR

Manne Tiensuu joined Nets in 2015.

# Nets financial statements 2015

# Statement by the Board of Directors and 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 2015.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2015, the results of the Group and Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2015.

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

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

Ballerup, 29 March 2016

**EXECUTIVE MANAGEMENT:**

Bo Nilsson
CEO

**BOARD OF DIRECTORS:**

| | | |
|---|---|---|
| Inge K. Hansen<br>Chairman | James Brocklebank | Humphrey William Battcock |
| Robin Marshall | Christophe Jacobs van Merlen | John Helmsøe-Zinck |
| Monica Caneman | Per-Kristian Halvorsen | Lars M. Haga |
| Ulrik Røikjær Thomsen | Ove Kolstad | Frank A. Olsen |

# Independent auditor's report

To the Shareholders of Nets Holding A/S

**REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND 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 to 31 December 2015 and the financial year ended 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and statement of cash flows for the Group. 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 under 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 that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and for preparing Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as 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.

AUDITOR'S 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 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 auditor's judgment, 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 auditor considers 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 audit opinion.
The audit has not resulted in any qualification.

OPINION

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2015 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2015 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

**STATEMENT ON MANAGEMENT'S REVIEW**

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Hellerup,
29 March 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31

| | |
|---|---|
| Mikkel Sthyr | Rasmus Friis Jørgensen |
| State Authorised Public Accountant | State Authorised Public Accountant |

# CONSOLIDATED INCOME STATEMENT

| DKKm | Note | 2015 | 2014 |
|---|---|---|---|
| Revenue, gross | | 9,040 | 8,607 |
| Interchange fees and processing fees | | -2,204 | -2,061 |
| **Revenue, net of interchange fees and processing fees** | 2.1 | **6,836** | **6,546** |
| Cost of sales | | -983 | -1,081 |
| External expenses | | -1,731 | -1,846 |
| Staff costs | 2.3 | -1,872 | -1,956 |
| **Operating profit before depreciation and amortisation (EBITDA) before special items** | | **2,250** | **1,663** |
| Special items | 2.2 | -536 | -411 |
| **Operating profit before depreciation and amortisation (EBITDA)** | | **1,714** | **1,252** |
| Amortisation of business combination intangibles & impairment losses | 4.2 & 4.3 | -188 | -110 |
| Underlying depreciations and amortisations | 4.2 & 4.3 | -271 | -298 |
| **Operating profit (EBIT)** | | **1,255** | **844** |
| Profit from associates after tax | 4.5 | -3 | 13 |
| Profit from divestment of business | | - | 45 |
| Fair value adjustment of Visa Europe share | 7.2 | 968 | - |
| Fair value adjustment on contingent consideration liability related to Visa Europe share | 7.2 | -774 | - |
| Financial income | 5.3 | 93 | 82 |
| Financial expenses | 5.3 | -57 | -51 |
| **Net financials** | | **227** | **89** |
| **Profit before tax** | | **1,482** | **933** |
| Income taxes | 6.1 | -445 | -281 |
| **Net profit for the year** | | **1,037** | **652** |
| Profit is attributable to: | | | |
| Owners of Nets Holding A/S | | 1,025 | 656 |
| Non-controlling interests | | 12 | -4 |
| | | **1,037** | **652** |

| Non-GAAP performance measaures | | | |
|---|---|---|---|
| Operating profit before depreciation and amortisation (EBITDA) before special items | | **2,250** | **1,663** |
| Underlying depreciations and amortisations | | -271 | -298 |
| **Adjusted EBIT** | | **1,979** | **1,365** |

# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

| DKKm | Note | 2015 | 2014 |
|---|---|---|---|
| **Net profit for the year** | | **1,037** | **652** |
| **Other comprehensive income:** | | | |
| *Items that will not be reclassified subsequently to the consolidated income statement:* | | | |
| Actuarial gains/(losses) on defined benefit pension plans | 7.1 | 3 | -11 |
| Tax | | -0 | 3 |
| **Total items never reclassified to the consolidated income statement** | | **3** | **-8** |
| *Items that will be reclassified subsequently to the consolidated income statement, when specific conditions are met:* | | | |
| Currency translation adjustments, foreign enterprises | | -119 | -83 |
| Fair value adjustment of Visa Europe share | 7.2 | 1,460 | - |
| Tax | | -321 | - |
| Net loss on cash flow hedges | | - | -15 |
| **Total items that may be reclassified to the consolidated income statement subsequently** | | **1,020** | **-98** |
| **Other comprehensive income for the year, net of tax** | | **1,023** | **-106** |
| **Total comprehensive income for the year, net of tax** | | **2,060** | **546** |
| Total comprehensive income for the year is attributable to: | | | |
| Owners of Nets Holding A/S | | 2,050 | 550 |
| Non-controlling interests | | 10 | -4 |
| | | **2,060** | **546** |

# CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

| DKKm | Note | 2015 | 2014 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 4.2 | 2,542 | 1,318 |
| Other intangible assets | 4.2 | 1,860 | 1,164 |
| Plant and equipment | 4.3 | 263 | 278 |
| Investment in associates | 4.5 | 11 | 24 |
| Deferred tax asset | 6.1 | 109 | 97 |
| **Total non-current assets** | | **4,785** | **2,881** |
| **Current assets** | | | |
| Inventories | 3.1.1 | 67 | 84 |
| Trade and other receivables | 3.1.2 | 832 | 702 |
| Clearing-related assets | 3.2 | 3,705 | 5,092 |
| Prepayments | | 154 | 184 |
| Other financial assets | 7.2 | 2,428 | - |
| Cash and cash equivalent | 3.3 | 2,267 | 2,159 |
| **Total current assets** | | **9,453** | **8,221** |
| **Total assets** | | **14,238** | **11,102** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 5.1 | 184 | 184 |
| Reserves | | 3,631 | 2,161 |
| **Equity, owners of Nets Holding A/S** | | **3,815** | **2,345** |
| Non-controlling interests | | 178 | 21 |
| **Total equity** | | **3,993** | **2,366** |
| **Non-current liabilities** | | | |
| Borrowings | 5.2 | 2,279 | 635 |
| Pension liabilities, net | 7.1 | 59 | 69 |
| Deferred consideration for business combinations | 4.1 | 163 | 21 |
| Deferred tax liabilities | 6.1 | 817 | 139 |
| **Total non-current liabilities** | | **3,318** | **864** |
| **Current liabilities** | | | |
| Borrowings | 5.2 | - | 1,506 |
| Trade and other payables | 3.1.3 | 1,526 | 1,312 |
| Clearing-related liabilities | 3.2 | 4,483 | 4,902 |
| Payable to Group enterprises | | 124 | - |
| Other financial liabilities | 7.2 | 774 | - |
| Current tax liabilities | | 20 | 152 |
| **Total current liabilities** | | **6,927** | **7,872** |
| **Total liabilities** | | **10,245** | **8,736** |
| **Total equity and liabilities** | | **14,238** | **11,102** |

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR

| DKKm | Note | 2015 | 2014 |
|---|---|---|---|
| Operating profit (EBIT) | | 1,255 | 844 |
| Depreciation, Amortisation & Impairment losses | 4.2 & 4.3 | 459 | 408 |
| Other non-cash items | | -21 | -26 |
| Change in narrow working capital | 3.1 | 61 | 173 |
| Interest and similar items, net | | -19 | 7 |
| Tax paid | 6.1 | -80 | -318 |
| **Net cash flow from operating activities excluding clearing-related balances** | | **1,655** | **1,088** |
| Change in clearing-related balances | 3.2.1 | 989 | -1,564 |
| **Net cash from operating activities** | | **2,644** | **-476** |
| | | | |
| Purchase of intangible assets | 4.2 | -394 | -264 |
| Purchase of plant and equipment | 4.3 | -145 | -139 |
| Proceeds from sale of plant and equipment | | - | 2 |
| Proceeds from sale of investments | | - | 660 |
| Purchase of investments | 4.1 | -1,570 | -731 |
| Payments for currency hedge | | - | -15 |
| Proceeds/(payments) for securities | | - | 597 |
| Dividends received | 4.5 | 10 | 10 |
| **Net cash from investing activities** | | **-2,099** | **120** |
| | | | |
| Proceeds from borrowings | | 1,791 | 635 |
| Proceeds from Asset-Backed Loan | | - | 1,068 |
| Repayment of Asset-Backed Loan | | -1,079 | - |
| Repayment of borrowings | | - | -1,000 |
| Dividends paid | | -698 | -498 |
| **Net cash flows from financing activities** | | **14** | **205** |
| | | | |
| **Net cash flow for the year** | | **559** | **-151** |
| Cash and cash equivalents as at 1 January | | 1,726 | 1,894 |
| Exchange gains/(losses) on cash and cash equivalents | | -18 | -17 |
| **Cash and cash equivalents as at 31 December** | 3.3 | **2,267** | **1,726** |
| | | | |
| **Non-GAAP performance measaures** | | | |
| | | | |
| **Cash and cash equivalents as at 31 December** | | **2,267** | **1,726** |
| Clearing-related assets as at 31 December | | 3,705 | 5,092 |
| Clearing-related liabilities as at 31 December | | -4,483 | -4,902 |
| Other adjustements of clearing-related balances | | - | 3 |
| **Own cash as at 31 December** | | **1,489** | **1,919** |
| | | | |
| **Own cash as at 1 January** | | **1,919** | **506** |
| Net cash flow from operating activities excluding clearing-related balances | | 1,655 | 1,088 |
| Net cash from investing activities in the year | | -2,099 | 120 |
| Net cash flows from financing activities in the year | | 14 | 205 |
| **Own cash as at 31 December** | | **1,489** | **1,919** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER

| DKKm | Share capital | Hedge reserves | Currency translation reserves | Available for sale reserve | Retained earnings | Proposed dividends | **Equity, owners Nets Holding A/S** | Noncontrolling interests | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | | | |
| Equity 1 January | 184 | -15 | -166 | - | 1,844 | 498 | **2,345** | 21 | **2,366** |
| Net profit for the year | - | - | - | - | 1,025 | - | **1,025** | 12 | **1,037** |
| **Other comprehensive income for the year** | | | | | | | | | |
| Actuarial losses related to defined benefit pension plans | - | - | - | - | 3 | - | **3** | - | **3** |
| Tax | - | - | - | - | -0 | - | **-0** | - | **-0** |
| Net fair value gain on available-for-sale financial assets during the year | - | - | - | 1,460 | - | - | **1,460** | - | **1,460** |
| Tax on net fair value gain on available-for-sale financial assets during the year | - | - | - | -321 | - | - | **-321** | - | **-321** |
| Currency translation adjustments, foreign enterprises | - | - | -117 | - | - | - | **-117** | -2 | **-119** |
| Other comprehensive income for the year | - | - | -117 | 1,139 | 3 | - | **1,025** | -2 | **1,023** |
| **Total comprehensive income for the year** | **-** | **-** | **-117** | **1,139** | **1,028** | **-** | **2,050** | **10** | **2,060** |
| Non-controlling interests from business combination | - | - | - | - | -147 | - | **-147** | 147 | **-** |
| Received group contribution | - | - | - | - | 979 | - | **979** | - | **979** |
| Submitted group contribution | - | - | - | - | -979 | - | **-979** | - | **-979** |
| Tax on submitted group contribution | - | - | - | - | 265 | - | **265** | - | **265** |
| Extraordinary dividend declared | - | - | - | - | -200 | 200 | **-** | - | **-** |
| Distributed dividends | - | - | - | - | - | -698 | **-698** | - | **-698** |
| Proposed dividends | - | - | - | | -498 | 498 | **-** | - | **-** |
| **Total changes in equity** | **-** | **-** | **-117** | **1,139** | **448** | **-** | **1,470** | **157** | **1,627** |
| **Equity 31 December** | **184** | **-15** | **-283** | **1,139** | **2,292** | **498** | **3,815** | **178** | **3,993** |

| DKKm | Share capital | Hedge reserves | Currency trans-lation reserves | Available for sale reserve | Retained earnings | Proposed dividends | **Equity, owners Nets Holding A/S** | Noncon-trolling interests | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | | | |
| Equity 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 31 December** | **184** | **-15** | **-166** | **-** | **1,844** | **498** | **2,345** | **21** | **2,366** |

# CONTENTS

With the aim of providing enhanced information and a better understanding of the Group's financial results, position and cash flows, the notes to the consolidated financial statements for the period ended 31 December 2015 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 Executive Management in the monitoring of the business.

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

# BASIS OF PREPARATION

### 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 Executive 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 Executive 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:

- Adjusted EBIT
- Own cash

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 certain financial assets and liabilities measured at fair value.

### 1.3 SUMMARY OF KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

- Business combinations (Note 4.1)
- Useful life of customer agreements (Note 4.2)
- Recoverable amount of goodwill and capitalised development projects (Note 4.4)
- Tax (Note 6.1)
- Defined benefit plans (Note 7.1)
- Value of Visa Europe shares and related contingent consideration liability (Note 7.2)

### 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 2015. None of these amendments have had material impact on the Group.
A summary of standards issued but not yet effective is included in Note 7.4.

## 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.

# 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.

# SPECIFICATION OF REVENUE

| DKKm | 2015 | 2014 |
|---|---|---|
| **Gross revenue per transaction type** | | |
| Transaction services | 7,797 | 7,388 |
| Non transaction services | 1,243 | 1,219 |
| **Total** | **9,040** | **8,607** |
| **Gross revenue per business area** | | |
| Merchant Services | 3,539 | 3,303 |
| Financial & Network Services | 2,730 | 2,536 |
| Corporate Services | 2,771 | 2,768 |
| **Total** | **9,040** | **8,607** |
| **Net revenue per business area** | | |
| Merchant Services | 1,866 | 1,687 |
| Financial & Network Services | 2,206 | 2,097 |
| Corporate Services | 2,764 | 2,762 |
| **Total** | **6,836** | **6,546** |
| **Gross revenue per geographical area** | | |
| Denmark | 4,367 | 3,777 |
| Norway | 2,580 | 2,638 |
| Finland | 1,234 | 1,255 |
| Other countries | 859 | 937 |
| **Total** | **9,040** | **8,607** |
| **Net revenue per geographical area** | | |
| Denmark | 3,207 | 3,101 |
| Norway | 2,233 | 2,275 |
| Finland | 806 | 810 |
| Other countries | 590 | 360 |
| **Total** | **6,836** | **6,546** |

The geographical breakdown of revenue is based on the location of the legal entities and branches in the Group except for Nets Card Processing A/S which is included in “Other countries”, as most revenue is outside Denmark. “Other countries” also includes 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, maintenance and development costs that do not qualify for capitalisation, lease expenses and other marketing, sales and distribution costs, loss and fraud.

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

### SPECIAL ITEMS

Special items 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.

Special items in the year amounted to DKK 536 million (2014: DKK 411 million) and included the following costs:

| DKKm | | | 2015 | | | 2014 |
|---|---|---|---|---|---|---|
| **Special items** | External expenses | Staff costs | | External expenses | Staff costs | |
| Reorganisation and restructuring costs | 8 | 151 | **159** | 3 | 106 | **109** |
| Costs associated with business set-ups, acquisitions and disposals | 42 | - | **42** | 168 | 13 | **181** |
| Transformation programme | 315 | 38 | **353** | 124 | - | **124** |
| Other costs and income, net | -18 | - | **-18** | -3 | - | **-3** |
| **Total special items** | **347** | **189** | **536** | **292** | **119** | **411** |

### REORGANISATION AND RESTRUCTURING COSTS

Costs of reorganisation and restructuring amounted to DKK 159 million (2014: DKK 109 million) and mainly include costs related to termination of employees as part of making Nets more cost-efficient and competitive in meeting the strategy of being operationally excellent.

### COSTS ASSOCIATED WITH BUSINESS SET-UPS, ACQUISITIONS AND DISPOSALS

Costs associated with business set-ups, acquisitions and disposals amounted to DKK 42 million (2014: DKK 181 million) and mainly include costs related to external advisors.

### TRANSFORMATION PROGRAMME

Costs related to the transformation programme, mainly external management consultants, amounted to DKK 353 million (2014: DKK 124 million) and include costs related to placing Nets in the best position to continue to achieve the growth plans in our strategy "from Good to Great".

# 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 | 2015 | 2014 |
|---|---|---|
| **Staff costs** | | |
| Wages and salaries | 1,715 | 1,676 |
| Pensions - defined contribution plans | 180 | 188 |
| Pensions - defined benefit obligations - reference Note 7.1 | 5 | 7 |
| Other social security contributions | 115 | 118 |
| Other employee costs | 200 | 167 |
| **Total employee costs for the year** | **2,215** | **2,156** |
| Employee costs included in development projects | 154 | 81 |
| **Total employee costs expensed in the income statement** | **2,061** | **2,075** |
| Employee costs included in special items | 189 | 119 |
| **Total employee costs included in EBITDA before special items** | **1,872** | **1,956** |
| Actuarial losses recognised in other comprehensive income | -3 | 11 |
| Average number of full-time employees | 2,513 | 2,608 |
| Year-end number of full-time employees | 2,413 | 2,618 |

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

# NOTE 2.4 – FOREIGN CURRENCY EXPOSURE

### 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 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:

- 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 is 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) | | 2015 | 2014 | 2015 | 2014 |
|---|---|---|---|---|---|
| | Probable change in currency | **Net revenue** | | **EBITDA** | |
| NOK | 10% | 223 | 228 | 79 | 67 |
| SEK | 10% | 54 | 20 | 24 | 3 |
| EUR | 1% | 9 | 9 | 2 | 1 |

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

| DKK<br>*Exposure of balances in foreign currency* | Cash and cash equivalents | Securities | Receivables[1] | Borrowings | Liabilities[2] | **Net assets** | **Probable change in currency** | **Hypothe-tical impact profit before tax** | **Hypothe-tical impact on equity** |
|---|---|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | | | |
| NOK | 1,003 | - | 783 | - | -1,436 | **350** | **10%** | **56** | **35** |
| SEK | 454 | - | 603 | -203 | -295 | **559** | **10%** | **28** | **56** |
| EUR | 698 | - | 836 | -2,091 | -1,131 | **-1,688** | **1%** | **-19** | **-17** |
| **Total** | **2,155** | **-** | **2,222** | **-2,294** | **-2,862** | **-779** | | | |
| **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** | **2,129** | **-** | **3,685** | **-1,941** | **-3,451** | **422** | | | |

[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** | **2015** | | | **2014** | | |
|---|---|---|---|---|---|---|
| *Key currencies* | NOK | SEK | EUR | NOK | SEK | EUR |
| Average | 83.43 | 79.74 | 745.86 | 89.29 | 81.99 | 745.49 |
| End of year | 77.61 | 81.22 | 746.25 | 82.32 | 78.56 | 744.36 |
| Year-end change | -5.7% | 3.4% | 0.3% | -7.0% | -6.0% | -0.2% |

# Section 3: Working capital

# 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 of financial issuers/card schemes which is why these balances fluctuate from reporting date to reporting date. A description of the components in the clearing-related balances and the key drivers behind their respective amounts is given 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.

### 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 realisable 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 | 2015 | 2014 |
|---|---|---|
| **Change in narrow working capital** | | |
| Inventories | 17 | 15 |
| Trade receivables | -162 | -67 |
| Prepayments and other receivables | 30 | 57 |
| Trade and other payables | 176 | 168 |
| **Total change in narrow working capital** | **61** | **173** |

# NOTE 3.1.1 – INVENTORIES

| DKKm | 2015 | 2014 |
|---|---|---|
| **Inventories** | | |
| Raw materials and supplies | - | - |
| Work in progress | - | 0 |
| Finished goods and merchandise | 68 | 91 |
| **Total inventories (gross)** | **68** | **91** |
| Inventory write-downs at year-end | -1 | -7 |
| **Total inventories (net)** | **67** | **84** |
| **Movements in the inventory write-downs** | | |
| Inventory write-downs as at 1 January | -7 | -53 |
| Inventory write-downs during the year | - | -4 |
| Provisions used | 6 | 43 |
| Decrease in provisions regarding divested business | - | 7 |
| Exchange differences | - | - |
| **Inventory write-downs as at 31 December** | **-1** | **-7** |

Write-downs of inventories to net realisable value amounted to DKK 0 million net (2014: DKK 4 million) and are included in cost of sales.

# NOTE 3.1.2 – TRADE AND OTHER RECEIVABLES

| DKKm | 2015 | 2014 |
|---|---|---|
| **Trade receivables** | | |
| Trade receivables | 647 | 545 |
| Allowances for doubtful debts | -17 | -8 |
| **Trade receivables, net** | **630** | **537** |
| Other receivables | 202 | 165 |
| **Total** | **832** | **702** |
| Allowances for doubtful debts at 1 January | -8 | -9 |
| Impairment losses | 8 | -1 |
| Adjustment of provision for bad debt | -16 | - |
| Reversal of impairment losses | - | - |
| Decrease in provisions regarding divested business | - | 1 |
| Exchange rate adjustment | -1 | 1 |
| **Allowances for doubtful debts at 31 December** | **-17** | **-8** |
| **Receivables past due but not impaired** | **91** | **63** |
| Receivables past due but not impaired can be specified as follows: | | |
| Receivables past due less than 6 months | 80 | 45 |
| Receivables past due between 6 and 12 months | 6 | 15 |
| Receivables past due more than 12 months | 5 | 3 |
| **Total** | **91** | **63** |

Increase in Receivables past due less than 6 months mainly relates to the Finnish entities, which were settled in January 2016 without losses.

## 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 | 2015 | 2014 |
|---|---|---|
| **Trade and other payables** | | |
| Trade payables | 465 | 369 |
| Prepayments from customers | 162 | 74 |
| Payables from associates | 3 | 2 |
| Other liabilities | 896 | 867 |
| **Total** | **1,526** | **1,312** |
| **Other liabilities** | | |
| Employee costs payable | 436 | 455 |
| Other payables | 392 | 351 |
| VAT and duties payable | 68 | 61 |
| **Total** | **896** | **867** |
| Recognised as follows in the balance sheet: | | |
| Current liabilities | 1,526 | 1,312 |
| **Total** | **1,526** | **1,312** |

# NOTE 3.2 – CLEARING-RELATED BALANCES

| DKKm | 2015 | 2014 |
|---|---|---|
| **Clearing-related assets** | | |
| Receivable from cardholders | - | 1,221 |
| Settlement assets | 3,705 | 3,871 |
| **Total** | **3,705** | **5,092** |
| **Clearing-related liabilities** | | |
| Merchant creditors | 2,066 | 2,450 |
| Settlement obligations | 2,417 | 2,417 |
| Prepayments from cardholders | - | 35 |
| **Total** | **4,483** | **4,902** |

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

## RECEIVABLE FROM CARDHOLDERS

In Finland, Nets Oy issued cards in its own name to cardholders in collaboration with local banks. This business was closed down during 2015. The balance was 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 were 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 were written down to zero, and receivables overdue by 90 days were 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 terms towards merchants exceed settlement terms towards the remittance from card scheme/ banks, thus creating negative working capital.

**Settlement obligations** consist primarily of the Group's obligations to the card schemes/networks for transactions made by cardholders who are customers in issuing banks for whom the Group processes 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 consisted primarily of prepayments of vouchers and gift cards. In connection with the sale of the card business beginning 2014 it was decided not to continue the remaining voucher business.

# NOTE 3.2.1 – CHANGE IN CLEARING-RELATED BALANCES

| DKKm | 2015 | 2014 |
|---|---|---|
| **Change in clearing-related balances** | | |
| Change in settlement assets | **166** | **-39** |
| Change in settlement obligations | **-** | **-86** |
| Change in cardholder receivables | **1,221** | **-16** |
| Change in cardholder prepayments | **-14** | **-491** |
| Change in merchant creditors | **-384** | **-932** |
| **Total** | **989** | **-1,564** |

### 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 was also previously exposed to credit risk through the co-issuing model that the subsidiary Nets Oy was running in Finland with four banks. In this business model, Nets Oy was exposed to the banks' private clients' nonpayment of credit card debt and a subsequent prolonged debt-collection process. This business was closed down during 2015.

# 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 | 2015 | 2014 |
|---|---|---|
| Cash at bank and on hand | 2,267 | 2,159 |
| **Cash and cash equivalents as at 31 December** | **2,267** | **2,159** |
| Bank overdrafts | - | -433 |
| **Net cash and cash equivalents as at 31 December** | **2,267** | **1,726** |
| Restricted cash included in cash at bank and on hand | 31 | 29 |

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 had a longer-term settlement cycle where card schemes, merchants and local banks were settled live and before funds were received from cardholders. Funds from cardholders were received once a month. This resulted in a significant decrease in cash balances over the period until cardholders payed in. However, due to the nature of the business, the daily fluctuations were moderate.

## MATURITY ANALYSIS

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

| DKKm | < 1 month | 1-3 months | 3-12 months | > 1 year | Total |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Trade and other receivables | 753 | 79 | - | - | 832 |
| Settlement assets | 3,705 | | | | 3,705 |
| **Total financial assets at the end of the year by maturity** | 4,458 | 79 | - | - | 4,537 |
| Borrowings | -2 | -15 | -71 | -2,692 | -2,780 |
| Trade and other payables | -533 | -504 | -489 | - | -1,526 |
| Merchant creditors | -2,066 | - | - | - | -2,066 |
| Settlement obligations | -2,417 | - | - | - | -2,417 |
| Deferred consideration for business combinations | - | - | - | -163 | -163 |
| Payable to Group enterprises | -124 | - | - | - | -124 |
| **Total financial liabilities at the end of the year by maturity** | -5,142 | -519 | -560 | -2,855 | -9,076 |
| **2014** | | | | | |
| Trade and other receivables | 623 | 75 | 4 | - | 702 |
| Receivable from cardholders | 389 | 155 | 677 | - | 1,221 |
| Settlement assets | 3,871 | - | - | - | 3,871 |
| Securities | - | - | - | - | - |
| Financial assets held for sale | - | - | - | - | - |
| **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 |

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

# 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 2015, the Group strengthened its market coverage with the acquisition of Kortaccept Nordic AB, Signaturgruppen A/S and the additional shares 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 "Powering digital payments". The Group continuously innovates to bring to market products and services relevant to our focus areas in new payment instruments, analytics and authentication.

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. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value (full goodwill) or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable assets.

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

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

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

Those provisional amounts are adjusted during the following 12 months from the acquisition date, if additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date 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 at 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 individual shareholders. The gap between recognised net assets and consideration paid was preliminarily recognised as goodwill and adjusted in 2015.

# NOTE 4.1 – BUSINESS COMBINATIONS – CONTINUED

## ACQUISITION OF BUSINESSES

The group made two acquisitions in 2015 (2014: three). The acquisitions had the following effect on the Group's consolidated financial statements as at the reporting date:

| DKKm | 2015 | | | | |
|---|---|---|---|---|---|
| | Kortaccept Nordic AB | | Signaturgruppen A/S | | |
| | Book value on acquisition date | Opening Balance | Book value on acquisition date | Opening Balance | **Total acquisitions (Opening balance)** |
| Goodwill | - | 1,073 | - | 204 | **1,277** |
| Development projects | - | - | - | - | **-** |
| Customer agreements | - | 440 | - | - | **440** |
| Plant and equipment | - | - | 0 | 0 | **0** |
| Inventory | - | - | | - | **-** |
| Trade and other receivables | - | - | 9 | 9 | **9** |
| Clearing-related assets | - | - | - | - | **-** |
| Prepayment | - | - | 1 | 1 | **1** |
| Cash and cash equivalent | 299 | 299 | 16 | 16 | **315** |
| Deferred tax | - | -97 | -0 | -0 | **-97** |
| Trade and other payables | - | - | -13 | -13 | **-13** |
| Clearing-related liabilities | - | - | - | - | **-** |
| Non-controlling interests | - | - | - | -125 | **-125** |
| **Consideration transferred** | | **1,715** | | **92** | **1,807** |
| Cash and cash equivalent in aquisition of business | | 299 | | 16 | **315** |
| **Cash consideration transferred** | | **1,416** | | **76** | **1,492** |
| Contingent and deferred consideration | | - | | 125 | **125** |
| **Total payment regarding acquisitions of business** | | **1,416** | | **201** | **1,617** |

The final purchase price allocations for businesses acquired in 2014 are as follows:

| DKKm | 2014 | | | | |
|---|---|---|---|---|---|
| | DIBS Payment Services AB | | Other acquisitions | | |
| | Book value on acquisition date | Opening Balance | Book value on acquisition date | Opening Balance | **Total acquisitions (Opening balance)** |
| Goodwill | 12 | 362 | - | 162 | **524** |
| Development projects | 27 | 38 | 17 | 38 | **76** |
| Customer agreements | - | 136 | - | 115 | **251** |
| Plant and equipment | 2 | 2 | 12 | 12 | **13** |
| Inventory | - | - | 2 | 2 | **2** |
| Trade and other receivables | 7 | 7 | 9 | 9 | **17** |
| Clearing-related assets | - | - | 34 | 34 | **34** |
| Prepayment | 14 | 14 | - | - | **14** |
| Cash and cash equivalent | 40 | 40 | 26 | 26 | **66** |
| Deferred tax | -3 | -35 | - | -30 | **-66** |
| Trade and other payables | -26 | -26 | -46 | -46 | **-71** |
| Clearing-related liabilities | - | - | -34 | -34 | **-34** |
| Non-controlling interests | - | -11 | - | -38 | **-49** |
| **Consideration transferred** | | **527** | | **249** | **776** |
| Cash and cash equivalent in business aquisitions | | 40 | | 26 | **66** |
| **Cash consideration transferred** | | **487** | | **223** | **710** |
| Contingent and deferred consideration | | - | | 38 | **38** |
| **Total payment in respect of business acquisitions** | | **487** | | **261** | **748** |

## KORTACCEPT NORDIC AB

On 10 December 2015, the Group acquired 100% of the share capital of Kortaccept Nordic AB (Nordea Merchant Acquiring) for the total consideration of DKK 1,715 million.

The acquisition of Nordea Merchant Acquiring has strengthened the Group's total product and service offering towards Nordic and Baltic merchants and there is a strong strategic match between the core business and competences of Nordea Merchant Acquiring and the Merchant Services business in the Group.

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

In the period from the acquisition date to 31 December 2014, Kortaccept Nordic AB contributed revenue of DKK 19 million and operating profit of DKK 17 million to the Group. Acquisition costs relating to the purchase of Kortaccept Nordic AB amount to DKK 30 million.

## SIGNATURGRUPPEN A/S

On 2 July 2015, the Group acquired 51% of the share capital in Signaturgruppen for a total consideration of DKK 92 million. At the same date the Group entered into a put-and-call option to acquire the remaining 49% of the share, at an exercise price based on a number of elements including growth in EBITDA.

The acquisition of Signaturgruppen added a strong partner for online digital identity in Denmark.

The Goodwill represents the value of the current workforce and potential synergies expected when integrated in the Group. Signaturgruppen A/S contributed revenue of DKK 18 million and operating profit of DKK 8 million to the Group. Total annual revenue of Signaturgruppen for 2015 was DKK 33 million. Acquisition costs relating to the purchase of Signaturgruppen A/S amounted to DKK 1 million.

## STOREBOX A/S

An agreement to acquire 70% of the share capital of Storebox A/S was signed in December 2015 with closing date in January 2016 for the total consideration of DKK 70 million.

## 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. In 2015 the Group acquired further 12.6% of the share capital. The Group owns 98.4% of the share capital at year end 2015.

## 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 AB*

The acquisition of Payzone AB added a cash-integrated payment solution tailored for the retail, hotel and restaurant industries; its clients range from large chains to small merchants and are well positioned in the Swedish market. Total annual revenue of Payzone 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 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 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.

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

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

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

Capitalised assets including 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 up to 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

### 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.

### DEVELOPMENT PROJECTS

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

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.

| DKKm | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | | Other intangible assets | | | | |
| | **Goodwill** | Customer agreements | Develop-ment projects | Develop-ment projects in progress | **Total other intangible assets** | **Total Intangible Assets** |
| Accumulated cost as at 1 January | **1,812** | 1,465 | 871 | 185 | **2,521** | **4,333** |
| Additions through business combinations | **1,233** | 605 | 19 | - | **624** | **1,857** |
| Additions | **-** | - | 57 | 337 | **394** | **394** |
| Disposals through sale of business | **-** | - | - | - | **-** | **-** |
| Assets disposed of or fully amortised | **-** | - | - | - | **-** | **-** |
| Currency translation adjustment | **-26** | -10 | 3 | -9 | **-16** | **-42** |
| **Accumulated cost as at 31 December** | **3,019** | **2,060** | **950** | **513** | **3,523** | **6,542** |
| Accumulated amortisation and write-downs for impairment as at 1 January | **-494** | -875 | -482 | - | **-1,357** | **-1,851** |
| Transfers assets held for sale | **-** | - | - | - | **-** | **-** |
| Amortisation | **-** | -130 | -142 | | **-272** | **-272** |
| Write-downs for impairment* | **-** | - | -43 | - | **-43** | **-43** |
| Disposals though sale of business | **-** | - | - | - | **-** | **-** |
| Assets disposed of or fully amortised | **-** | - | - | - | **-** | **-** |
| Currency translation adjustment | **17** | 7 | 2 | - | **9** | **26** |
| **Accumulated amortisation and write-downs for impairment as at 31 December** | **-477** | **-998** | **-665** | **-** | **-1,663** | **-2,140** |
| **Carrying amount as at 31 December** | **2,542** | **1,062** | **285** | **513** | **1,860** | **4,402** |

| DKKm | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | | Other intangible assets | | | | |
| | **Goodwill** | Customer agreements | Develop-ment projects | Develop-ment projects in progress | **Total other intangible assets** | **Total Intangible Assets** |
| Accumulated cost as at 1 January | **1,248** | 1,422 | 800 | 9 | **2,231** | **3,479** |
| Additions through business combinations | **622** | 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** |
| Write-downs for impairment* | **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** |

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

| DKKm | 2015 | 2014 |
|---|---|---|
| Development costs recognised in the consolidated income statement | 337 | 347 |

# 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 | 2015 | | | |
|---|---|---|---|---|
| | Leasehold improvements | Terminals | Plant and machinery | **Total** |
| Accumulated cost as at 1 January | 170 | 341 | 498 | **1,009** |
| Additions | 6 | 95 | 44 | **145** |
| Assets disposed of | -1 | -7 | -11 | **-19** |
| Currency translation adjustment | -6 | 1 | -19 | **-24** |
| **Accumulated cost as at 31 December** | **169** | **430** | **512** | **1,111** |
| Accumulated depreciation and write-downs for impairment at 1 January | -102 | -220 | -410 | **-732** |
| Depreciation | -17 | -80 | -46 | **-143** |
| Write-downs for impairment | | -1 | | **-1** |
| Assets disposed of | 1 | 1 | 10 | **12** |
| Currency translation adjustment | 5 | - | 11 | **16** |
| **Accumulated depreciation and write-downs for impairment as at 31 December** | **-113** | **-300** | **-435** | **-848** |
| **Carrying amount as at 31 December** | **56** | **130** | **77** | **263** |

| DKKm | 2014 | | | |
|---|---|---|---|---|
| | Leasehold improvements | 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 through 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** | **121** | **278** |

Terminals are leased by the Group to third-party merchants under operating leases. These operating leases are under various agreements which terminate between 2016 and 2018. 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 development 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 2015.

The tests performed did not identify any impairment.

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

| DKKm | 2015 | 2014 |
|---|---|---|
| **Cash-generating unit** | | |
| Merchant Services | 1,821 | 778 |
| Financial & Network Services | 515 | 531 |
| Corporate Services | 206 | 9 |
| **Total** | **2,542** | **1,318** |

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 11% for the individual cash-generating unit to reflect differences in the business and risk. Discount rates are unchanged compared to 2014.

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

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

### MERCHANT SERVICES

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

### FINANCIAL & NETWORK SERVICES

Financial & Network 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 as Financial & Network 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.

### CORPORATE SERVICES

Corporate Services consist of goodwill related to the acquisition of NemID activities and Signaturgruppen A/S (see Note 4.1). 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.

# 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 | 2015 | 2014 |
|---|---|---|
| **Investment in associates** | | |
| Accumulated cost at 1 January | 60 | 60 |
| **Accumulated cost at 31 December** | **60** | **60** |
| | | |
| Revaluation at 1 January | -36 | -38 |
| Adjustment previous year | -6 | - |
| Share of profit after tax | 2 | 13 |
| Depreciation on rights acquired | - | -1 |
| Exchange differences | 1 | -0 |
| Dividends distributed | -10 | -10 |
| **Revaluation at 31 December** | **-49** | **-36** |
| **Carrying amount at 31 December** | **11** | **24** |

**DKKm**

| **2015** | | | | | | **Nets' share** | |
|---|---|---|---|---|---|---|---|
| Company name | Share | Currency | Revenue | Profit for the year | Net assets | Equity | Profit for the year |
| e-Boks A/S | 50% | DKK | 170 | 4 | 22 | 11 | 2 |
| **Total** | | | **170** | **4** | **22** | **11** | **2** |

| **2014** | | | | | | **Nets' share** | |
|---|---|---|---|---|---|---|---|
| Company name | Share | Currency | Revenue | Profit for the year | Net assets | Equity | Profit for the year |
| e-Boks A/S | 50% | DKK | 148 | 26 | 48 | 24 | 13 |
| **Total** | | | **148** | **26** | **48** | **24** | **13** |

# Section 5: Funding and capital structure

# FUNDING AND CAPITAL STRUCTURE

In 2015 the Group obtained new senior debt totalling DKK 1,791 million to finance acquisitions. Information on these acquisitions can be found in Section 4.

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

In 2015, an Asset-Backed Loan facility in the amount of DKK 1,079 million was repaid.

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 income statement in the same period as the non-financial asset or liability affect the income statement.

### 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), in Finland (Nets Oy and Paytrail Oyj) and in Sweden (Kortaccept Nordic AB and DIBS Payment Services AB), and therefore such subsidiaries are subject to minimum capital requirements by local authorities.

| | 2015 | | 2014 | |
|---|---|---|---|---|
| Share capital | Shares (numbers in millions) | Nominal value (DKKm) | Shares (numbers in millions) | Nominal value (DKKm) |
| Holding at 1 January | 184 | 184 | 184 | 184 |
| **Holding 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 2015, 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 2014.

# 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 effective interest rate 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 income statement.

### 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 the income statement when the hedged interest expense is recognised in the income statement.

### TERMS AND MATURITY OF THE GROUP'S INTEREST-BEARING LOANS AND BORROWINGS

| | | | | | | | *Carrying amount* | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *2015* | *2014* |
| **Bank loans floating rates** | | | | | | | | |
| Term loan EUR | Euribor[1] + 3.00 - 3.50% | 4.1% | EUR | 2021 | 545 | - | 535 | 530 |
| Term loan SEK | Stibor[1] + 3.25 - 3.75% | 4.3% | SEK | 2021 | 203 | - | 199 | 105 |
| Revolving Credit facility | Euribor[1] + 3.00 - 3.75% | 4.0% | EUR | 2021 | 448 | - | 448 | - |
| Loan from Nassa A/S | Euribor[1] + 3.00 % | 3.8% | EUR | 2021 | 1,097 | - | 1,097 | - |
| Asset-Backed Loan | Euribor + 1.75% | 1.9% | EUR | 2016 | - | - | - | 1,073 |
| Overdraft facility (Multicurrency) | Variable | 3.0% | | 2015 | - | - | - | 433 |
| **Total bank loans** | | | | | | | **2,279** | **2,141** |
| **Total** | | | | | | | | |
| Non-current liabilities | | | | | | | 2,279 | 635 |
| Current liabilities | | | | | | | - | 1,506 |

[1] For the term loans, Revolving Credit facility and the loan from group enterprises, there is a floor of 0.75% 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 intraday facilities to improve the headroom for the daily operation.

### REVOLVING CREDIT FACILITY (RCF)

RCF had an original size of EUR 200 million of which EUR 115 million have been carved out into overdraft facility. The remaining EUR 85 million is used for general corporate purpose. The current drawing of EUR 60 million has been used to partly finance the acquisition of Kortaccept Nordic AB.

### LOAN FROM NASSA A/S (NOMINATED IN EUR)

The loan was established in connection with the acquisition of shares in Kortaccept Nordic AB.

### MATURITY ANALYSIS 2015

**2015**

| DKKm | Carrrying amounts | Contractual cash flow | <1 year | 1-2 years | 3-4 years | > 5 years |
|---|---|---|---|---|---|---|
| Term loan | 734 | 910 | 29 | 58 | 58 | 765 |
| Revolving Credit facility | 448 | 542 | 17 | 34 | 34 | 457 |
| Loan from Nassa A/S | 1,097 | 1,328 | 42 | 83 | 84 | 1,119 |
| **Total** | 2,279 | 2,780 | 88 | 175 | 176 | 2,341 |

**2014**

| DKKm | Carrrying amounts | Contractual cash flow | <1 year | 1-2 years | 3-4 years | > 5 years |
|---|---|---|---|---|---|---|
| Term loan | 635 | 832 | 28 | 55 | 55 | 694 |
| Asset-Backed Loan | 1,073 | 1,079 | 1,079 | - | - | - |
| Overdraft facility | 433 | 433 | 433 | - | - | - |
| **Total** | 2,141 | 2,344 | 1,540 | 55 | 55 | 694 |

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 securities and subsequent changes to contingent acquisitions costs.

| DKKm | 2015 | 2014 |
|---|---|---|
| **Financial income** | | |
| Net foreign exchange gains | 63 | - |
| Financial income from securities | - | 28 |
| Interest income on short-term bank deposits | 3 | 17 |
| Interest income from Co-issuing activities | 27 | 37 |
| **Total financial income** | **93** | **82** |
| **Financial expenses** | | |
| Net foreign exchange loss | - | 10 |
| Interest expense on bank loans | 35 | 19 |
| Fair value adjustment of financial liabilities | - | - |
| Amortisation of transaction costs | 9 | 18 |
| Other fees etc. | 13 | 4 |
| **Total financial expenses** | **57** | **51** |
| **Net financials** | **36** | **31** |

# 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 | 2,267 | - | **2,267** |
| Bank loans | - | -1,182 | **-1,182** |
| Group loan | - | -1,097 | **-1,097** |
| **Net** | **2,267** | **-2,279** | **-12** |

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

| | | **Hypothetical impact on profit for the year** | | **Hypothetical impact on equity** | |
|---|---|---|---|---|---|
| **DKKm** | **Probable change in interest** | **2015** | **2014** | **2015** | **2014** |
| Borrowings and loan from parent company | 1 p.p. | 7 | 18 | 7 | 18 |

# 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 | Less than 1 year | 1-3 years | 3-5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Operating leases | 103 | 142 | 72 | - | **317** |
| **Total contractual obligations** | **103** | **142** | **72** | **0** | **317** |
| **2014** | | | | | |
| Operating leases | 101 | 186 | 132 | 52 | **471** |
| **Total contractual obligations** | **101** | **186** | **132** | **52** | **471** |

Operating lease commitments are related to noncancellable operating leases primarily pertaining to premises, cars and office equipment. The lease costs for 2015 and 2014 were DKK 101 million and DKK 106 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 A/S, 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.

In 2014 EUR 149 million of the Receivables from cardholders were pledged as security for the Asset-Backed Loan in Finland.

# Section 6: Tax and Governance

This section includes disclosures that relate to the Group's 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 offset against deferred tax in other consolidated enterprises or if it is probable that they can be utilised in future earnings.

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

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

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

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 offset 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 carryforwards 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 2015, the carrying amount of the deferred tax assets is DKK 109 million (2014: DKK 97 million) and unrecognised tax losses is DKK 244 million (2014: DKK 245 million).

| DKKm | 2015 | 2014 |
|---|---|---|
| **Income taxes expensed** | | |
| Current tax on profit for the year | 307 | 313 |
| Deferred tax on profit for the year | 197 | -27 |
| Adjustments related to previous years - current tax | -59 | -5 |
| **Income taxes in the Income statement** | **445** | **281** |

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 | 2015 | 2014 |
|---|---|---|
| Profit before tax | 1,482 | 933 |
| Income tax expense calculated at domestic tax rate | 348 | 229 |
| Deviation in foreign subsidiaries' tax rates compared with Danish tax rate (net) | 20 | 12 |
| Non-taxable income less non-taxdeductible expenses (net) | 6 | 36 |
| Adjustments related to previous years - current tax | -59 | -5 |
| Not recognised tax losses and tax offsets not recognised as deferred tax assets | - | 3 |
| Change in income tax rates on deferred tax | 3 | 1 |
| Tax effect of fair value adjustment of shares and contingent consideration liability | 148 | - |
| Other taxes | -21 | 5 |
| **Income tax expense recognised in the income statement** | **445** | **281** |

| | 2015 | 2014 |
|---|---|---|
| **Computation of effective tax rate percentage** | | |
| Statutory corporate income tax rate in Denmark | 23.5 | 24.5 |
| Deviation in foreign subsidiaries' tax rates compared with Danish tax rate (net) | 1.3 | 1.3 |
| Non-taxable income less non-taxdeductible expenses (net) | 0.4 | 4.1 |
| Adjustments related to previous years - current tax | -4.0 | -0.5 |
| Not recognised tax losses and tax offsets not recognised as deferred tax assets | - | 0.1 |
| Change in income tax rates on deferred tax | 0.2 | 0.1 |
| Tax effect of fair value adjustment of shares and contingent consideration liability | 10.0 | - |
| Other taxes | -1.4 | 0.5 |
| **Effective tax rate** | **30.0** | **30.1** |

| DKKm | 2015 | 2014 |
|---|---|---|
| **Income taxes paid** | | |
| Income taxes paid in Denmark | 127 | 133 |
| Income taxes paid outside Denmark | -47 | 185 |
| **Total income taxes paid** | **80** | **318** |

| DKKm | Intangible assets | Plant & equip-ment | Invento-ries | Other receiv-ables | Employee benefits obligation | Other financial assets | |
|---|---|---|---|---|---|---|---|
| **Development in deferred income tax assets and liabilities** | | | | | | | |
| **2015** | | | | | | | |
| Net deferred tax asset/(liability) at 1 January | -82 | 35 | - | -17 | 22 | - | **-42** |
| Additions through business combinations | -139 | - | - | - | - | - | **-139** |
| Deferred tax on profit for the year | 29 | -3 | - | -21 | -8 | -194 | **-197** |
| Adjustment relating to previous years | -8 | - | - | - | - | - | **-8** |
| Deferred tax on items recognised in Other comprehensive income | - | - | - | - | -1 | -321 | **-322** |
| Exchange rate adjustment | - | - | - | - | - | - | **-** |
| **Net deferred tax asset/(liability) at 31 December** | **-200** | **32** | **-** | **-38** | **13** | **-515** | **-708** |
| Classified as follows: | | | | | | | |
| Deferred tax asset, 31 December | | | | | | | 109 |
| Deferred tax liability, 31 December | | | | | | | 817 |

| DKKm | Intangible assets | Plant & equip-ment | Inven-tories | Other receiva-bles | Employee benefits obligation | Other financial assets | |
|---|---|---|---|---|---|---|---|
| **Development in deferred income tax assets and liabilities** | | | | | | | |
| **2014** | | | | | | | |
| Net deferred tax asset/(liability) at 1 January | -94 | 54 | 7 | -24 | 18 | - | **-39** |
| Additions through business combinations | -34 | - | - | - | - | - | **-34** |
| Deferred tax on profit for the year | 43 | -16 | - | 5 | - | - | **32** |
| Adjustment relating to previous years | - | -3 | -7 | 2 | 3 | - | **-5** |
| Deferred tax on items recognised in Other comprehensive income | - | - | - | - | 3 | - | **3** |
| Exchange rate adjustment | 3 | - | - | - | -2 | - | **1** |
| **Net deferred tax asset/(liability) at 31 December** | **-82** | **35** | **-** | **-17** | **22** | **-** | **-42** |
| Classified as follows: | | | | | | | |
| Deferred tax asset, 31 December | | | | | | | 97 |
| Deferred tax liability, 31 December | | | | | | | 139 |

### UNUSED TAX LOSSES NOT RECOGNISED

The aggregate unused tax losses of DKK 244 million (2014: DKK 245 million) are not recognised as it is considered unlikely that the tax losses will be realised in the near future.

### OTHER TAX INFORMATION

In 2015, Nets Group won the appeal thereby enabling deduction of depreciation on the intangible assets related to the acquisition of Nets Oy (former Luottokunta Oy). This is for an amount of DKK 674m applied as tax base, however, with DKK 100m deducted for the intangible asset part that related to Prepaid Business which was sold in January 2014. The total tax value is DKK 115m (20% of DKK 574m) where DKK 67m is taken up as a deferred tax asset in 2015 to be applied evenly over the next 3 years and DKK 48m has been received in cash by the Finish tax authorities plus interest compensation equivalent to DKK 11m.

# NOTE 6.2 – RELATED PARTY TRANSACTIONS

## RELATED PARTY TRANSACTIONS

In 2015 owners of the ultimate parent company invoiced the Group for service fees totalling DKK 30 million (2014: DKK 11 million).

As at 31 December 2015 the Group's borrowings were DKK 1,259 million in respect of Nassa A/S and receivables were DKK 38 million in respect of Nassa Midco AS. 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 24 million (2014: DKK 30 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

## REMUNERATION TO THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

In 2015 short-term benefits included fixed-base salary and accrued cash bonuses designed to incentivise individual performance and the achievement of a number of predefined short-term functional and individual business targets linked to goals in the Group's balanced scorecard.

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.

At year-end 2015 Group management consisted of eight members (six in 2014)

| DKKm | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Board of Directors | Executive Manage-ment | Group Manage-ment | **Total** | Board of Directors | Executive Manage-ment | Group Manage-ment | **Total** |
| Short term benefits | 2 | 18 | 33 | **53** | 3 | 42 | 42 | **87** |
| Pensions | - | 0 | 2 | **2** | - | 0 | 2 | **2** |
| Benefits | - | 0 | 1 | **1** | - | 0 | 1 | **1** |
| **Total** | **2** | **18** | **36** | **56** | **3** | **42** | **45** | **90** |

Executive Management, Group Management and certain other employees have been offered investment in Nets through share holding in a parent company. Share holdings are subject to customary leaver provisions in private equity held entities.
The economic interest held is as follows:

| | |
|---|---|
| Executive Management | 2.4% (2014: 0%) |
| Group Management | 3.8% (2014: 0%) |

# NOTE 6.3 – FEE TO STATUTORY AUDITORS

| DKKm | 2015 | 2014 |
|---|---|---|
| **Remuneration to Auditors (PwC elected for 2015, 2014: EY)** | | |
| **Statutory audit** | **4** | **3** |
| Non-statutory audit services: | | |
| Other assurance engagements | 2 | 2 |
| Tax advisory services | 1 | 1 |
| Other services* | 10 | 13 |
| **Total non-statutory audit services** | **13** | **16** |
| **Total** | **17** | **19** |
| **Other Auditors in subsidiaries** | | |
| **Statutory audit** | - | **2** |
| Non-statutory audit services: | | |
| Other assurance engagements | - | 2 |
| **Total non-statutory audit services** | - | **2** |
| **Total** | - | **4** |

*In 2015 and 2014 other services mainly comprise services related to merger & acquisition activities and business optimisation.

# 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. The defined benefit pension plans have been terminated and no new members enter into the agreement.

## DEFINED BENEFIT PLANS

| DKKm | 2015 | 2014 |
|---|---|---|
| **Specification of pensions** | | |
| Fair value of plan assets | 74 | 69 |
| Projected benefit obligations | 133 | 138 |
| **Pension asset/(liability) recognised in the balance sheet** | **-59** | **-69** |

| DKKm | 2015 | 2014 |
|---|---|---|
| **Change in pension assets/(obligations) recognised in the balance sheet** | | |
| Pension liability recognised in the balance sheets at 1 January | -69 | -71 |
| Pension (costs)/income recognised in the income statements | -5 | -6 |
| Actuarial gains/(loss) on projected benefit obligations and plan assets recognised in other comprehensive income | 3 | -11 |
| Gain on plan assets | 2 | 2 |
| Nets' contribution | 5 | 5 |
| Benefit paid to employees | 6 | -1 |
| Exchange rate adjustments | -1 | 13 |
| **Pension assets/(obligations) recognised in the balance sheet at 31 December** | **-59** | **-69** |

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.

| | Assumptions | | Sensitivity 2015 | |
|---|---|---|---|---|
| | **2015** | **2014** | +1 %-point | -1 %-point |
| Discount rate | 2.7% | 2.3% | -21 | 23 |
| General wage inflation | 2.5% | 2.8% | 6 | -5 |
| Expected regulation of minimum payment | 0.0% | 0.0% | 18 | -15 |

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.

## EXPECTED MATURITY OF PROJECTED BENEFIT OBLIGATION

| DKKm | 2015 | 2014 |
|---|---|---|
| Within 1 year | 7 | 8 |
| 1 - 5 years | 25 | 20 |
| Beyond 5 years | 101 | 109 |
| **Total** | **133** | **137** |

# NOTE 7.2 – OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

## SIGNIFICANT ACCOUNTING POLICIES

### FINANCIAL ASSETS

Other financial assets are classified, at initial recognition, as financial assets at fair value through the income statement, 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.

## KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

### OTHER FINANCIAL ASSETS

The Visa Europe share held by Nets Oy are designated as fair value through the income statement in order to present both the fair value gain of the shares and the value adjustment on the liability to pass on the proceeds in the income statement (accounting mismatch).

The Visa Europe share held by Teller A/S are classified as assets available for sale with value adjustments being recognised in other comprehensive income as the related liability to pass on the proceed is held by Nassa A/S. On completion of the transaction, the gain recognised in other comprehensive income is recycled to the income statement.

### OTHER FINANCIAL LIABILITIES

Other financial liabilities consist of the liability to pass on the net proceed after tax to the former owners and are measured at fair value.

The fair value adjustments of the Visa Europe shares (assets) and the obligation to pass on any proceeds (liability) have been measured based on available information and Executive Management's best estimate as at 31 December 2015.

On 2 November 2015 Visa Inc. announced that they had entered into an agreement to acquire 100% of the share capital in Visa Europe Ltd. The transaction is subject to regulatory approvals and is expected to be closed in the second quarter of 2016. The purchase price consideration consists of an upfront consideration and an earn-out element. At 31 December 2015 the Group's subsidiaries Nets Oy and Teller A/S hold principal member shares in Visa Europe Ltd.

The share purchase agreement for the acquisition of Nets Oy in 2012 includes an obligation for the Group to pass on any net proceeds received by Nets Oy from the Visa Europe shares net of tax and related costs. Also, the share purchase agreement between the previous owners of the Group and Bain, Advent and ATP includes an obligation for the Parent of the Group to pass on net proceeds received by Teller A/S from the Visa Europe shares net of tax and related costs. The fair value adjustments of the Visa Europe shares (assets) and the obligation to pass on any proceeds (liability) have been measured based on available information and Executive Management's best estimate as at 31 December 2015.

| DKKm | 2015 | 2014 |
|---|---|---|
| **Consolidated income statement** | | |
| Value adjustment on shares (financial income) | 968 | - |
| Vale adjustment on debt (financial expense) | -774 | - |
| Tax on pass through proceeds | -194 | - |
| **Net profit for the year** | **-** | **-** |
| Net fair value gain on available-for-sale financial assets during the year | 1,460 | - |
| Tax | -321 | - |
| **Other comprehensive income for the year, net of tax** | **1,139** | - |
| **Total comprehensive income for the year, net of tax** | **1,139** | - |

| DKKm | 2015 | 2014 |
|---|---|---|
| **Other financial assets** | | |
| Visa Europe Shares held by Teller A/S | 1,460 | - |
| Visa Europe Shares held by Nets Oy | 968 | - |
| **Other financial assets as at 31 December** | **2,428** | - |

| DKKm | 2015 | 2014 |
|---|---|---|
| **Other financial liabilities** | | |
| Visa proceeds to be paid to former owners of Nets Oy | -774 | - |
| **Other financial liabilities as at 31 December** | **-774** | - |

| DKKm | 2015 | 2014 |
|---|---|---|
| **Defered tax liability** | | |
| Deferred tax on net fair value gain on available-for-sale financial assets | -515 | - |
| **Deferred tax liability as at 31 December** | **-515** | - |

In addition, the Group could potentially receive a share of proceeds payable by Visa Inc. to Visa Norway and Visa Sweden, respectively, through the Group's branches in these countries. These proceeds are subject to a number of uncertainties and therefore not recognised in the balance sheet as at 31 December 2015.

# NOTE 7.3 – CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

| DKKm | | | | | | |
|---|---|---|---|---|---|---|
| *Financial assets and liabilities* | Fair value through income statement | Loans and receivables | Cash and cash equiva-lents | Financial liabilities measured at amortised cost | Available for sale | **Total** |
| **2015** | | | | | | |
| Trade and other receivables | - | 832 | - | - | - | 832 |
| Receivable from cardholders | - | - | - | - | - | - |
| Settlement assets | - | 3,705 | - | - | - | 3,705 |
| Securities | - | | - | - | - | - |
| Cash at bank and on hand | - | | 2,267 | - | - | 2,267 |
| Other financial assets | 968 | - | - | - | 1,460 | 2,428 |
| **Total financial assets** | **968** | **4,537** | **2,267** | **-** | **1,460** | **9,232** |
| Borrowings | - | - | - | -2,279 | - | -2,279 |
| Trade and other payables | - | - | - | -1,526 | - | -1,526 |
| Merchant creditors | - | -2,066 | - | - | - | -2,066 |
| Settlement obligations | - | -2,417 | - | - | - | -2,417 |
| Deferred consideration for business combinations | -163 | - | - | - | - | -163 |
| Other financial liabilities | -774 | - | - | - | - | -774 |
| **Total financial liabilities** | **-937** | **-4,483** | **-** | **-3,805** | **-** | **-9,225** |
| **Total net financial assets** | **31** | **54** | **2,267** | **-3,805** | **1,460** | **7** |
| **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 |
| Other financial asssets | - | - | - | - | - | - |
| **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** |

## 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 7.4 – 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.

### IFRS 16 LEASES

IASB has issued IFRS 16 "Leases", with effective date 1 January 2019. It currently awaits EU endorsement. IFRS 16 is part of the convergence project with FASB to replace IAS 17. The standard requires the recognition of assets and liabilities for most leases. Nets Group has made a preliminary assessment of the impact of the standard and evaluated that the implementation of the standard is likely to result in capitalisation of the majority of the Group's operational lease contracts. The Group is currently assessing the impact of IFRS 16, and plans to adopt the new standard on the required effective date.

# NOTE 7.5 – EVENTS AFTER THE BALANCE SHEET DATE

No significant events with an effect to the annual report of 2015 have occurred subsequent to 31 December 2015.

# NOTE 7.6 – COMPANIES IN THE GROUP

| Company | Structure | Currency | Ownership |
|---|---|---|---|
| **Nassa Topco Group** | | | |
| **Ultimate parent company** | | | |
| Nassa Topco AS[1] | Ultimate Parent | DKK | 90% |
| Nassa Investments AS | Parent | DKK | 90% |
| 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% |
| Nassa A/S | Parent | DKK | 100% |
| **Nets Holding Group** | | | |
| **Parent company** | | | |
| Nets Holding A/S | Parent | DKK | 100% |
| **Denmark** | | | |
| Nets A/S[2] | 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% |
| Signaturgruppen A/S | Subsidiary | DKK | 51% |
| DIBS Payment Services A/S | Subsidiary | DKK | 98.4% |
| e-Boks A/S | Associate | DKK | 50% |
| **Norway** | | | |
| Nets Norge Infrastruktur AS | Subsidiary | NOK | 100% |
| Nets AS[3] | Subsidiary | NOK | 100% |
| EDIGard AS | Subsidiary | NOK | 57.8% |
| DIBS AS | Subsidiary | NOK | 98.4% |
| e-Boks AS | Associate | NOK | 50% |
| **Sweden** | | | |
| Nets Sweden AB | Subsidiary | SEK | 100% |
| Nassa BidCo AB | Subsidiary | SEK | 100% |
| Payzone Nordic AB | Subsidiary | SEK | 57.8% |
| Kortaccept Nordic AB | Subsidiary | SEK | 98.4% |
| DIBS Payment Services AB | Subsidiary | SEK | 50% |
| DIBS Payment Services i Göteborg AB | Subsidiary | SEK | 98.4% |
| DebiTech AB | Subsidiary | SEK | 98.4% |
| VerifyEasy AB | Subsidiary | SEK | 98.4% |
| e-Boks Sverige AB | Associate | SEK | 50% |

[1] Consolidated financial statements are prepared for this company.
[2] As at 1 January 2015, Nets A/S has merged with Nets Norway AS.
[3] Previously, Visa Norge AS.

| Company | Structure | Currency | Ownership |
|---|---|---|---|
| **Nets Holding Group** (continued) | | | |
| **Finland** | | | |
| Nets Oy | Subsidiary | EUR | 100% |
| Nets Finland Oy | Subsidiary | EUR | 100% |
| Paytrail Oyj | Subsidiary | EUR | 80% |
| Paytrail Technology Oy | Subsidiary | EUR | 80% |
| DIBS Payment Services AB | Subsidiary | EUR | 98.4% |
| **Other countries** | | | |
| Nets Estonia AS | Subsidiary | EUR | 100% |
| ITP Baltic SIA (Estonia) | Subsidiary | EUR | 53% |

# NOTE 7.7 – FINANCIAL DEFINITIONS

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

| | |
|---|---|
| **EBITDA before special items** | EBITDA before special items |
| **Special items** | As defined in Note 2.2. |
| **EBITDA** | Earnings before interest, tax, depreciations, amortisations and impairment losses |
| **Underlying depreciations and amortisations** | Depreciations & amortisations adjusted for amortisation of business combination intangibles & impairment losses |
| **Adjusted EBIT** | EBITDA before special items and adjusted for underlying depreciations and amortisations |
| **EBIT** | Earnings before interest and tax (operating profit) |
| **Capital expenditure (CAPEX)** | Purchase of intangible assets and plant & equipment and capitalised development projects for the year, excluding acquisition of subsidiaries |
| **Cash flow from operating activities excl. clearing-related balances** | Operating cash flow excluding clearing-related cash flow |
| **Own cash** | Cash and cash equivalents end-year excluding clearing-related balances |
| **EBITDA before special items margin, %** | EBITDA before special items / net revenue |

# Financial Statements of the Parent Company

# INCOME STATEMENT FOR THE PARENT COMPANY

| DKKm | Note | 2015 | 2014 |
|---|---|---|---|
| Revenue | 2 | 5 | 5 |
| External expenses | 3 | -50 | -165 |
| Staff costs | 4 | -28 | -25 |
| **Operating profit (EBIT)** | | **-73** | **-185** |
| Profit from subsidiaries after tax | 5 | 2,934 | 699 |
| Net fair value adjustment on liability related to avaible-for-sale financial assets | 5 | -774 | 0 |
| Financial income | 6 | 25 | 6 |
| Financial expenses | 6 | -64 | -45 |
| **Net financials** | | **-813** | **-39** |
| **Profit before tax** | | **2,048** | **475** |
| Income taxes | 7 | 16 | 16 |
| **Net profit for the year** | | **2,064** | **491** |
| **Proposed profit appropriation:** | | | |
| Proposed dividends | | 498 | 498 |
| Net revaluation according to the equity method | | 1,511 | -431 |
| Retained earnings | | 55 | 424 |
| **Total appropriation** | | **2,064** | **491** |

# BALANCE SHEET FOR THE PARENT COMPANY AS AT 31 DECEMBER

| DKKm | Note | 2015 | 2014 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Other intangible assets | 8 | 1 | 1 |
| Investment in subsidiaries | 5 | 6,344 | 4,401 |
| **Total non-current assets** | | **6,345** | **4,402** |
| **Current assets** | | | |
| Receivables from Group enterprises | | 383 | 562 |
| Receivables from Parent Company | | 16 | 33 |
| Other receivables | | 1 | 0 |
| Prepayments | 9 | 1 | 1 |
| Cash and cash equivalents | | 324 | 4 |
| **Total current assets** | | **725** | **600** |
| **Total assets** | | **7,070** | **5,002** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | | 184 | 184 |
| Net revaluation according to the equity method | | 1,511 | 0 |
| Hedges reserves | | -15 | -15 |
| Retained earnings | | 1,388 | 1,385 |
| Proposed dividends | | 498 | 498 |
| **Total equity** | | **3,566** | **2,052** |
| **Non-current liabilities** | | | |
| Borrowings | | 734 | 635 |
| Other financial liabilities | 5 | 774 | 0 |
| **Total non-current liabilities** | | **1,508** | **635** |
| **Current liabilities** | | | |
| Borrowings | | 0 | 169 |
| Trade payables etc. | | 55 | 70 |
| Payables to Group enterprises | | 1,914 | 2,066 |
| Corporation tax | 7 | 7 | 3 |
| Other payables | 10 | 20 | 7 |
| **Total current liabilities** | | **1,996** | **2,315** |
| **Total liabilities other than provisions** | | **3,504** | **2,950** |
| **Total equity and liabilities** | | **7,070** | **5,002** |

| | |
|---|---|
| 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 |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| Equity 1 January | 184 | 0 | -15 | 1,385 | 498 | **2,052** |
| Currency translation adjustment etc. | - | - | - | -117 | - | **-117** |
| Net loss on cash flow hedges | - | - | - | - | - | **0** |
| Received group contribution | - | - | - | 979 | - | **979** |
| Submitted group contribution, net | - | - | - | -714 | - | **-714** |
| Extraordinary dividend declared | - | - | - | -200 | 200 | **0** |
| Distributed dividends | - | - | - | - | -698 | **-698** |
| Retained earnings, cf. profit appropriation | - | 1,511 | - | 55 | 498 | **2,064** |
| **Equity 31 December** | **184** | **1,511** | **-15** | **1,388** | **498** | **3,566** |
| **2014** | | | | | | |
| Equity 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 31 December** | **184** | **0** | **-15** | **1,385** | **498** | **2,052** |

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.

Nets Holding A/S is included in the consolidated Financial Statements for the ultimate parent company Nassa Topco AS, Haavard Martinsens Vei 54, NO-0978, 0251 Oslo, Norway.

# 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 | 2015 | 2014 |
|---|---|---|
| Group services (wages and salaries etc.) | **5** | 5 |
| **Total** | **5** | **5** |

# NOTE 3 FEES TO STATUTORY AUDITOR AS ELECTED BY THE ANNUAL GENERAL MEETING

| DKKm | 2015 | 2014 |
|---|---|---|
| Statutory audit | **1** | 1 |
| Other services | **1** | 0 |
| **Total** | **2** | **1** |

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

# NOTE 4 STAFF COSTS

| DKKm | 2015 | 2014 |
|---|---|---|
| **Total staff costs are specified as follows:** | | |
| Wages and salaries | **23** | 20 |
| Pension contributions plans | **2** | 1 |
| Other social security contributions | **0** | 1 |
| Other employee costs | **3** | 3 |
| **Total** | **28** | **25** |
| For information regarding remuneration to the Board of Directors and the Executive Management please refer to note 6.2 in the consolidated financial statements. | | |
| Average number of full-time employees | **9** | 8 |
| Number of full-time employees year-end | 9 | 8 |

# NOTE 5 INVESTMENT IN SUBSIDIARIES

| DKKm | 2015 | 2014 |
|---|---|---|
| Accumulated cost as at 1 January | 3,679 | 3,153 |
| Additions | 79 | 526 |
| **Cost as at 31 December** | **3,758** | **3,679** |
| Value adjustment as at 1 January | 722 | 1,056 |
| Dividends received | -1,218 | -952 |
| Received Group contribution | 979 | 0 |
| Submitted Group contribution, net | -714 | 0 |
| Net profit for the year | 2,934 | 699 |
| Currency translation adjustment | -117 | -81 |
| **Value adjustment as at 31 December** | **2,586** | **722** |
| **Carrying amount as at 31 December** | **6,344** | **4,401** |

On 2 November 2015 Visa Inc. announced that they had entered into an agreement to acquire 100% of the share capital in Visa Europe Ltd. The transaction is subject to regulatory approvals and is expected to be closed in second quarter of 2016. The purchase price consideration consists of an upfront consideration and an earn-out element. At 31 December 2015 the Group's subsidiaries Nets Oy and Teller A/S hold principal member shares in Visa Europe Ltd.

The share purchase agreement for the acquisition of Nets Oy in 2012 includes an obligation for the Group to pass on any net proceeds received by Nets Oy from the Visa Europe shares net of tax and related costs. Also, the share purchase agreement between the previous owners of the Group and Bain, Advent and ATP includes an obligation for the Parent of the Group to pass on net proceeds received by Teller A/S from the Visa Europe shares net of tax and related costs. The fair value adjustments of the Visa Europe shares (assets) is included in net profit for the year at DKK 1,913 million and the obligation to pass on any proceeds (liability) of DKK 774 million has been measured based on available information and Executive Management's best estimate as at 31 December 2015. For further information please refer to Note 7.2 in the consolidated financial statements.

# NOTE 6 NET FINANCIALS

| DKKm | 2015 | 2014 |
|---|---|---|
| **Financial income** | | |
| Group enterprises | 4 | 5 |
| Currency translation adjustment, net | 21 | 0 |
| Other interest income | 0 | 1 |
| **Total financial income** | **25** | **6** |
| **Financial expenses** | | |
| Group enterprises | 22 | 13 |
| Interest expenses on bank loans | 30 | 19 |
| Amortisation of transaction cost | 12 | 12 |
| Other fees etc. | 0 | 1 |
| **Total financial expenses** | **64** | **45** |
| **Net financials** | **-39** | **-39** |

# NOTE 7 INCOME TAX

| DKKm | 2015 | 2014 |
|---|---|---|
| **Financial income** | | |
| Current tax | -16 | -16 |
| **Total** | **-16** | **-16** |
| Tax payable as at 1 January | 3 | 28 |
| Tax paid for previous year, net | -3 | -28 |
| Tax paid on account | -124 | -112 |
| Joint taxation | 147 | 131 |
| Tax for the year | -16 | -16 |
| **Tax payable as at 31 December** | **7** | **3** |
| Tax is included in the following items: | | |
| Tax payables | 7 | 3 |

# NOTE 8 OTHER INTANGIBLE ASSETS

| DKKm | 2015 | 2014 |
|---|---|---|
| | Rights | Rights |
| Accumulated cost as at 1 January | 1 | 1 |
| **Cost as at 31 December** | **1** | **1** |
| | | |
| Amortisation as at 1 January | 0 | 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 | 2015 | 2014 |
|---|---|---|
| Wages, salaries, etc. | 1 | 1 |
| **Total** | **1** | **1** |

# NOTE 10 OTHER PAYABLES

| DKKm | 2015 | 2014 |
|---|---|---|
| Employee costs payable | 15 | 6 |
| Other payables | 5 | 1 |
| **Total** | **20** | **7** |

## 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.

The Company has entered into leases remaining in force until the end of February 2016. Total liabilities amount to DKK 0.7 million (2014: DKK 2.8 million).

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

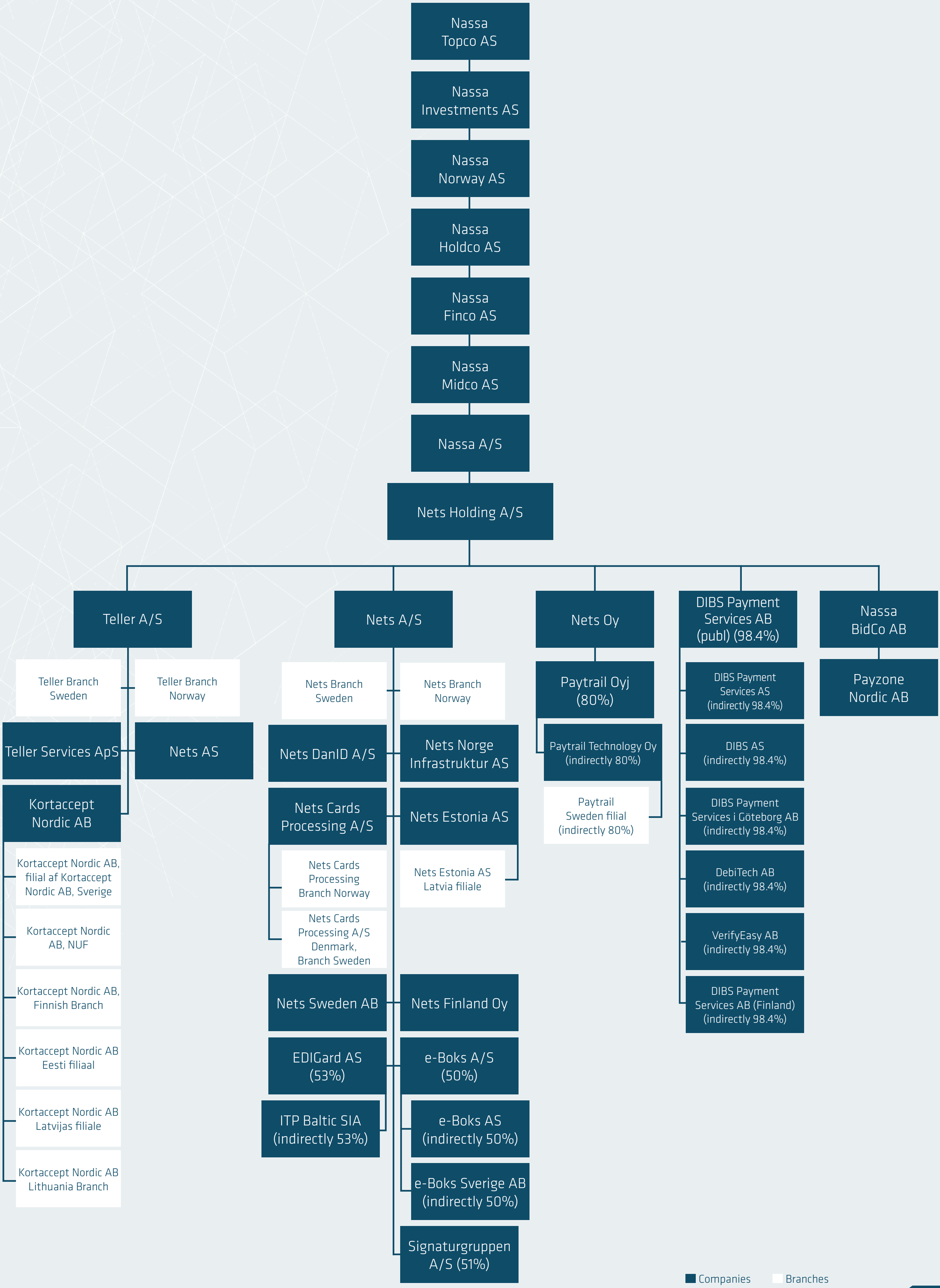
## NOTE 12 RELATED PARTY TRANSACTIONS

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 is guarantor under the senior facility agreement at Nassa Midco AS and has certain 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.

# Nets
# Group chart

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