Nets Denmark A/S

Annual Report 2016

Adopted at the Annual General Meeting
24 March 2017

Chairman of the AGM:

Dorthe Rosenkilde Saunders

Nets Denmark A/S
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DK-2750 Ballerup
www.nets.eu
CVR no. 20 01 61 75

Key figures

(DKK million)	2016	2015	2014*	2013*	2012*
Income statement					
Revenue	5,467	5,372	5,262	5,238	5,126
Profit before depreciation, amortisation and impairment losses	1,380	1,284	1,110	1,099	1,001
Operating profit	1,122	1,086	951	916	834
Profit/loss from financial income and expenses, net	-65	-27	9	27	52
Net profit for the year	901	881	703	607	565
Balance sheet as at 31 December					
Total assets	5,155	3,946	4,539	5,062	4,934
Investment tangible assets	198	74	75	100	126
Investment intangible assets	301	264	187	69	0
Equity	2,707	2,469	1,843	1,663	1,385
Financial ratios (%)					
Operating margin	21	20	18	17	16
Liquidity ratio	162	202	133	119	108
Solvency ratio	53	63	41	33	28
Return on equity	35	41	40	40	37

*) Key figures for the years 2014 - 2012 have been restated due to the merger at 1 January 2015 of Nets Denmark A/S and the Norwegian sister company Nets Norway AS. The restating is completed by using the aggregation method of the companies (proforma).

Management's Review

Business foundation

Nets Denmark A/S' objects are to conduct business with payment and transmission of information, card and data service activities and other business related thereto as well as promote the development and use of a common infrastructure for the financial institutions.

Business model

Nets Denmark create value by delivering payments and digital services that are used by thousands of merchants, hundreds of financial institutions, thousands of corporates and millions of consumers across the Nordic and Baltic regions, and that benefit communities and society as a whole.

The business in Norway and Sweden are carried out through branches. The Norwegian branch serves the market in Norway and is staffed as an independent unit with both sales, operations and other related functions. The Swedish branch is a sales office.

Nets Denmark invest in, maintain and operate a considerable number of large-scale national critical platforms, security, stability and high performance remain our top priorities.

As a leading provider of digital payment services and related technology solutions across the Nordic region, Nets Denmark sits at the centre of the digital payments ecosystem, and we operate a deeply entrenched network which connects merchants, financial institutions, corporate customers and consumers, enabling them to make and receive payments as well as, increasingly, utilise value-added services to help them improve their respective activities. Nets Denmark operates across the entire value chain from payment capture and authorisation through to processing, clearing and settlement.

Nets enables digital payments across all major channels - in person, online, and over a mobile device - and a large number of our services are used by a majority of consumers in Denmark and Norway, such as direct debit payments, card payments, digital authentication and invoice solutions. While we offer merchant acquiring solutions, point-of-sale terminals and e-commerce directly to the merchants, services delivered to the corporates, such as direct debit and invoice solutions, are made in close co-operation with the financial institutions. Other solutions, e.g. card payments and the national identity schemes NemID and BankID, are also offered in close co-operation with the financial institutions. In Denmark, we own some of our key services, such as Dankort and Betalingsservice, while we in Norway operate similar services, including invoice solutions, direct debit payments and BankAxept card payments, on behalf of and in close co-operation with our customers. Consequently, a large part of our business is built on our well-established and trusted co-operation with the financial institutions, local banking and public sectors.

Financial performance

In 2016, Nets realised strong financial results through 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. Net profit for the year was DKK 901 million, which is an increase of DKK 20 million compared to 2015. The profit level was in line with expectations.

On 7 January 2016, Nets Denmark completed the acquisition of Storebox A/S. Storebox A/S is a leading provider of eReceipts and loyalty solutions to merchants.

Nets Denmark operates in three main business areas:

- Merchant Services
- Financial & Network Services
- Corporate Services

and revenue increased by 2% compared to last year and amounted to DKK 5,467 million.

External and staff costs decreased by DKK 2 million compared to 2015 and amounted to DKK 4,087 million. There are used significant resources to optimize operations and processes so Nets Denmark can handle increased transaction volumes efficiently in the future.

Equity amounted to DKK 2,707 million, which is equivalent to a solvency ratio of 53% compared to 63% ultimo 2015. Proposed dividends amounted to DKK 900 million, compared to DKK 880 million in 2015.

The Danish Payment Services Act requires that companies offering payment services must have authorisation from the Danish Financial Supervisory Authority to operate as a Payment Institution. Nets A/S has been approved as a Payment Institution, and the capital requirement in accordance with the rules of the Danish Financial Supervisory Authority has been calculated at DKK 344 million. Equity at 31 December 2016 amounted to DKK 2,707 million included proposed dividend at DKK 900 million.

Merchant Services

Merchant Services provides our merchant customers with payment acceptance solutions across channels (in store, online and mobile) and with the broadest range of payment methods in the Nordic region, including Visa, MasterCard, JCB (provided by affiliated company Teller A/S), and local payment brands. Merchant Services is present across Nordic and Baltic countries and works with a broad set of value-adding partners across the region.

In January 2016 we secured another platform for growth through the acquisition of Storebox – a leading provider of e-receipts and loyalty solutions. During the year, we integrated Storebox' solution suite into the Nordic point-of-sale (POS) offering, and several merchants have already launched enhanced loyalty and payment solutions based on this scalable platform. By leveraging Nets' Nordic omni-channel e-receipt and loyalty solution, merchants are able to interact with consumers regardless of channel and payment method and seamlessly link the solutions to the merchant's loyalty programme.

Merchant Services manages and simplifies merchants' payments flow. 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 and frequencies depending on merchant needs and consumer preferences.

Since late 2015, our Merchant Services has focused on transforming the sales approach and on expanding the sales force in all markets towards small and medium-sized merchants and partners. This included a reorganisation in early 2016 along with the roll-out of a best-practice sales approach and tools in all call centres. This has led to strong results within cross-selling across our business and the sale of product bundles.

Our Large Account and Key Account sales force was further professionalised in 2016 following a reorganisation in 2015. This led to major new wins based on an "integrated proposition" dialogue along with a number of constructive renegotiation processes with key accounts.

During 2016, sales effectiveness programmes have been executed, leading to an aligned way-of-working, increasing transparency on the Nordic opportunity pipeline.

When we experience pricing pressure, we address this through a solution approach by selling integrated propositions. As we have the full solution suite and are able to advise our customers across it (acquiring, terminals, mobile acceptance, e-commerce and value-added services such as loyalty, business intelligence and digital receipts), the price pressure is largely outweighed by new services and revenue streams.

In October 2016, we launched our new card storage service to be rolled out to all Nordic e-commerce merchants, enabling their consumers to store their payment details securely with Nets. This allows consumers to shop easily using only three digits (CVC) across all merchants using Nets' e-commerce solutions.

2016 also saw the roll-out of a new innovative mobile acceptance solution in Denmark, in the first round to support payments with Dankort on Your Mobile to be launched commercially in 2017. The solution is tailored for merchants with a need for fast payments, and provides provides mobile payments that are either NFC-based, Bluetooth-based or QR-enabled with the same high precision and speed known from contactless card payments. Furthermore, the solution supports multiple use cases to support merchants' loyalty programmes and enhance in-store consumer interaction.

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 Consumer Management Services (CMS), Fraud & Dispute solutions, and Mobile Services.

The business segment also operates and/or 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.

During the year, we expanded our Swedish footprint and rolled out new card products and services, such as risk-based authentication in processing on behalf of credit card issuers, mobile wallets for banks and a Nordic HCE/tokenisation infrastructure, which is the backbone of NFC-based mobile payments. With cybercrime on the rise, our fraud and dispute services take on an increasingly important role for issuers, and in 2016 we increased existing product penetration by introducing fraud prevention services in Finland, among other places, and our fraud prevention system is now installed in all Nordic markets, effectively mitigating the risk of criminal activities.

Our Consumer Management Services (CMS) were launched in Denmark, offering a future-proof platform enabling customers to launch new consumer offerings fast and efficiently, but also to drive down operating expenses via e.g. self-service. During the year, we onboarded card portfolios of two banks and implemented card processing for two banks in Sweden.

Within issuer processing, our Financial & Network Services also supported existing customers in their efforts to expand into new geographies.

The domestic card schemes, managed and processed by Financial & Network Services, continues to grow both in Denmark and Norway. In 2016, the Dankort on-boardingcustomer experience improved significantly, reducing merchant on-boarding time by more than 70% for the majority of merchants, from an average of 16 days to 2-4 days. The contactless Dankort, launched in August 2015, saw continued penetration during the year, reaching 15% of all transactions in December 2016. During the year, a total of 80 million contactless Dankort transactions were made. The domestic card scheme in Norway, BankAxept, managed and processed by Nets, also enabled the infrastructure for contactless payments in 2016. The launch of Dankort on Your Mobile went into its final test phases in 2016 and is expected to be launched commercially in 2017.

Corporate Services

Corporate Services offers integrated e-bill services to corporates, enabling them to invoice their consumers electronically and automatically receive payments at due time, with the benefit of low churn. Consumers are provided with an overview of the invoices paid directly from their online bank. More than 90% of Danish households use the direct debit service to pay utility bills and other bills.

Corporate Services also offers national e-identity solutions in Denmark and Norway, used by 95% of Danes and 80% of Norwegians respectively.

Within direct debit, the conversion from a quarterly to a monthly invoicing frequency was a growth driver in 2016 in both Denmark and Norway. In Denmark, a Betalingsservice mobile app was launched allowing consumers to instantly sign up and pay via their preferred channels. Similarly, we now send invoices directly from the app. Much attention has been given to investing in our IT platforms for higher flexibility and more efficient operations. Likewise, improving customer experience has been a major focus area throughout 2016, and several projects - some still ongoing - address an easier onboarding and improved customer service.

The number of direct debit customers onboarded through digital channels are steadily increasing, whilst the volumes of the traditional paper based channels are decreasing. The new onboarding solution "Mine Avtaleforslag" ("Proposed agreements") which allows customers to easily see and activate potential new agreements from their bank based on their payment history, is an important contributor to this.

In Denmark, 2015 growth in our clearing services continued throughout 2016, mainly driven by high growth within real-time clearing to support, a.o., mobile peer-to-peer (P2P) services. 2016 transaction volume continued to grow and exceeded 10 million transactions per month, up by more than 40% compared with 2015. In Norway, we saw a continuous growth in volumes comparable with previous years. Dedicated initiatives in close cooperation with the financial sector and data centres in Denmark and Norway led to very good operational stability within clearing in 2016.

Within digital identity solutions, our Danish solution, NemID, experienced transactional growth among private service providers and the public sector, while its Norwegian counterpart, BankID, saw very high transactional growth throughout the year driven by BankID on Mobile, underlining the need for user-friendly solutions in the mobile space.

Business Strategy

Nets Denmark A/S, together with affiliates in Nets A/S Group, has implemented several initiatives to support our future strategy.

Our strategy was launched in 2016 with the vision of Powering digital payments. The successful execution of the strategy centres around four key elements; great payments, a great network and great ideas, all executed by great people.

Nets is well positioned to take advantage of the expected structural annual growth of 4% in the Nordic payments industry. To be competitive and able to benefit from the structural growth, investments and resources are prioritised around key payment technologies and platforms. These include mobile, e-commerce, PSD2, data analytics and blockchain. In these areas we are focused on driving innovation and continuously bringing new value propositions to the market for the benefit of merchants, corporates, banks and consumers.

The commercial logic in our strategy is based on four strategic growth areas:

- Mobile payments
- Outsourcing
- Value chain expansion
- Nordic growth

On top of the strategic growth areas, priority is given to further enhance the operational efficiency of the group. Additionally, digital innovation is a key focus area as we operate in a rapidly developing sector.

Mobile payments

With the level of digitisation in Nordic societies at an unparalleled height, more and more consumer transactions are carried out online or on smartphones. In this new world order, we play an important role in enabling the network of different stakeholders whose needs we address to handle the rising digitisation and the needs it creates.

Nets is a natural partner to the financial services industry, with a focus on developing and co-creating our own products and platforms. An example of this is our tokenisation services launched in March, which we believe is an important step towards frictionless connected commerce. With tokenisation, token numbers substitute sensitive cardholder data to prevent fraud. The token corresponds to an actual card number stored in our token vault and can be used for transactions and other value-added services such as loyalty offerings or e-receipts.

While mobile payment in retail is now gravitating towards contactless payments based on near-field communication (NFC), the market for mobile payments is still quite fragmented with mobile payment providers often deploying proprietary solutions. With our tokenisation services, Nets is focusing on international standards to ensure scalability and adoption. Point-of-sale terminals do not distinguish between actual card or token numbers, and as all contactless terminals accept mobile contactless payments, our terminals at merchants' points of sale were in fact ready for all original equipment manufacturer (OEM) Pays from day one.

The tokenisation platform is part of the technology behind Dankort on Your Mobile developed during 2016. We started pilot testing late 2016, with Dankort on Your Mobile to be launched commercially in 2017. It works on both iPhones and Android phones and is designed to mirror the contactless card payment experience which consumers have grown accustomed to during 2016. Our tokenisation services enable a broader range of phones to be eligible for Dankort on Your Mobile payments.

In recent years, we have seen mobile wallets developing in the Nordic region primarily as a peer-to-peer payment service. We expect to see mobile wallets develop further and also to see new wallet solutions being introduced to the Nordic market in coming years. We believe we are well positioned to deliver the underlying payment infrastructure needed to run these wallets not least by utilising Dankort on Your Mobile. We seek to partner with local mobile ecosystems across the Nordics as well as with mobile phone OEMs to facilitate the roll-out of their wallet solutions in the Nordic region.

To support our customers, we have developed an API-based open platform mobile wallet solution that includes HCE tokenisation. It provides technological solutions and digital content libraries which enable banks to offer their customers mobile wallet payments.

Outsourcing

We see a growing trend in banks outsourcing non-core processes, and we are able to assist them with payment-related processes. To this end we have delivered a platform for Consumer Management Services (CMS) which has already gained strong traction across card issuers. In 2016, Nets had 2.3 million accounts managed on our CMS platform. As we process transactions initiated by approximately 35 million cards, increasing the penetration of CMS represents a potentially significant opportunity for Nets given the number of cards already handled by us in the region.

Value chain expansion

Nets has an extensive distribution network in the Nordic region, which will allow us to leverage the roll-out of new products and solutions commercially. In addition, we are driving new opportunities by up-selling and cross-selling products and services across the group. Towards merchants, we see a continued demand for distributing omni-channel solutions that enable merchants to accept payments from their customers via a wide range of payment solutions. Merchants increasingly demand a "one stop" payment provider for all popular payment instruments such as card, invoice, account, e-wallets, etc. Our payment platform for merchants already supports most payment methods, and currently we are in the process of adding new solutions such as Dankort on Your Mobile.

We are constantly innovating to offer additional value-added services such as data analytics, including e-receipts, loyalty programmes, portal services and dynamic currency conversion.

Within data analytics, we have made investments during 2016. New advanced technology and competences have been onboarded to grow capabilities within advanced analytics and data visualisation. We are actively running projects to turn data insights into business value for merchants, banks, corporates and consumers. Nets is well positioned to explore future commercial opportunities and meet a growing demand for clarity. We will do this by combining our deep understanding of the financial industry in the Nordics with the data insights.

Towards banks we delivered a fraud prevention system which has already gained strong traction across card-issuers. Our enhanced fraud and dispute solutions support predictive fraud-prevention analytics. Highly advanced and automated card fraud is growing rapidly, resulting in high administrative and liability-related costs. We offer a high-quality combination of experienced fraud analysts and a state-of-the-art system that enables prevention of fraud in real time. We can thereby potentially reduce gross fraud significantly, lowering the cost burden for issuers. In 2016, Nets onboarded several new customers to the system in Norway and Finland, and in late 2016 we also onboarded Dankort.

Within real-time clearing and settlement services, Nets is one of only two ISO 20022-compliant systems in Europe in production and actively marketed. Our real-time clearing system has the potential for use in other European countries and we will target expansion outside the Nordic region on a selective basis using the same approach as with the recent agreement with ICBPI in Italy.

Nordic growth

The Nordic payments market is characterised by continued growth in transactions both in terms of number and total value of transactions. Our acquisition of Nordea's acquiring business (Kortaccept) in December 2015 added a large customer base, sales force and referral network with the largest bank in the Nordic region. Consequently, we have seen transaction volumes increase significantly in 2016.

We expect to secure further growth going into 2017 by increasing our customer portfolios in Sweden, partly through leveraging theexisting Kortaccept customer base but also through investments done into our presence in Sweden, not least in stronger outbound sales capabilities.

We also expect to benefit from a growing trend of outsourcing of processes by card issuers, with the biggest potential in Sweden. In 2016, two Swedish banks outsourced their issuer processing to Nets.

As part of our growth strategy we continue to focus on increasing customer retention through pro-active retention measures.

Corporate social responsibility (CSR)

Please find the statutory statement on Corporate Social Responsibility description of this subject in the Management's review of the parent company, Nets A/S.

With respect to the statutory statement on social responsibility in accordance with section 99a of the Danish Financial Statements Act, please refer to the Management's Review of the parent company Nets A/S.

Report on gender composition of management

With respect to the gender composition of board members elected by the General Assembly as well as the policy for the under-represented gender on other managerial levels in accordance with the Danish Financial Statements Act section 99b, please refer to the Management's Review of the parent company, Nets A/S.

Risk management

Risk management is an integral part of our way of doing business at Nets Group and helps us understand and manage the uncertainties inherent in our strategy and the daily running of our business. Risk management is carried out jointly for the Group.

Risk management is regarded as a needed core competency for executive management, business leaders and employees at all levels and has evolved as a discipline throughout 2016 to provide a clear and to the best of our knowledge complete overview of risks in the Group.

Nets' policy framework consists of a risk management policy, a security policy, a business continuity policy, a merchant acquiring risk policy and a treasury policy.The policy framework sets out the activities and risk assessment methodology used to ensure that all material risks are identified and that a consistent approach to risks is integrated into business management and decision-making across the Nets Group. At Nets, we define risk as "the effect of uncertainty on business objectives".

The Board of Directors of Nets A/S is responsible for the overall governance of the companies in Nets Group and oversees our risk landscape and approves strategies and policies within the areas of risk management, security, business continuity, merchant acquiring and treasury risk.

The Board has appointed an Audit Committee which, among other tasks, monitors risk management strategies, policies, processes and methodology.

The Group Executive Committee is responsible for allocating sufficient resources and budget to our Risk Management unit. Risk Management provides the domain expertise, policies, standards and procedures to enable the risk management process, and also facilitates risk identification, assessment and treatment plans.

A "three lines of defence" model is implemented throughout the organisation and forms the basis for risk decision-making within Nets. The model is used to structure roles, responsibility and accountability for decision-making concerning risk and internal controls, and to ensure good collaboration between the three lines.

- **First line** – Business units and Group units.
  The business and group units perform the day-today risk-bearing activities and are responsible for identifying, assessing and treating risks within those activities. The business units and group units are responsible for compliance with legal, contractual and regulatory requirements.

- **Second line** – Risk management.
  The Risk Management function is responsible for defining policies, standards and procedures for risk-based decision-making, internal control and reporting. Risk Management supports the risk assessment process in the business units and group units, maintains the enterprise-wide overview of Nets' risk landscape, mitigation plans and progress in relation hereto.

- **Third line** – Independent assurance.
  The third line is maintained by Nets' internal and external auditors, providing independent assurance concerning the risk and control functions performed by the first and second lines. Internal Systems Audit coordinates and performs the audit of the general IT controls in Nets, the IT-based user systems and applications and the IT systems offered for exchange of data with the connected data centres and associated financial enterprises. Additionally, the core business processes in Nets and projects, which are important to Nets' customers or internally within Nets, are audited. As part of the audit completion, the conclusions of each audit are reported to the managers of the activities audited, Executive Management and the Board of Directors.

The risks described below are those currently considered the most material to our business.

The risks are the result of risk assessments and workshops within the different business units and group units in Nets. Top management review the risks and prioritise, approve and follows up on mitigation actions. The mitigants to the risks set out below are examples described in summary form to further the understanding of the risk in question and how it may be mitigated.

The risks described below are not listed in any particular order of priority as to significance or probability.

Technology innovation

Global technology trends such as artificial intelligence, biometrics, blockchain, Internet of Things (IoT), Open APIs and the use of cloud technologies accelerate the development and implementation of new products, services and business models. These new products, services and business models could create new opportunities but also potentially challenge.

Industry & market transformation

New technologies (as described above), market entrants and regulation (as described below) drive structural changes in the industry. Traditional payment methods are supplemented by methods represented by both new players and incumbents, positioning themselves towards a developing payments market. E-commerce, mobile commerce and digital products (app stores, streaming, in-app) are expected to drive a higher pace and growth rates, but are also easier for competitors to capture when compared with in-store products and services due a to lack of new hardware. Further, consumers, merchants and corporates expect transparent, digitised and readily available services. Increased competition could also result in an increased price pressure on services delivered by Nets.

Regulatory environment

The Group is subject to a wide array of laws and regulations in the jurisdictions in which it operates. Further, regulatory bodies across Europe, including the Nordic region, are placing the financial industry, payment institutions and providers of digital products and services under increased regulatory scrutiny. Privacy and financial crime prevention require significant resources while local regulators adapt and define clear requirements to market participants. Anti-Money Laundering (AML) is one example where Nets must ensure that the requirements are being adhered to. As data processor and/or data controller, Nets must comply with strict data protection laws in the jurisdictions in which it operates. The General Data Protection Regulation (GDPR) is an area in which Nets as a data processor must implement appropriate technical and organisational measures in order to meet the requirements of the GDPR and ensure the protection of the rights of the data subject.

PSD2

Currently, banks do not grant access to information stored in their customers' accounts. However, with PSD2, banks must allow third-party access if the third party has a licence to provide payment services. This may result in increased competition and opportunities for both traditional and new payment providers. For example, peer-to-peer payment platforms could shift from mostly card-based payments to account-based payments. PSD2 may also enable new business models.

Information security
Relevant security risk events include social engineering such as phishing and spear-phishing, malware and ransomware monitored during the year. In addition, malicious insider data breach has been a focus area for mitigation, including an increased logging and monitoring.

Stability and operations
Nets operates a number of services critical to the national financial infrastructures in the Nordic countries, such as domestic debit card schemes, clearing systems, e-identity schemes and payments platforms. As these systems are critical for our customers, government organisations and authorities, stability has a high priority at Nets. Any unscheduled system downtime would impact our services, causing Service Level Agreement (SLA) breaches, reputational damage and/or financial loss. Common risk events include change implementation issues and errors, network malfunction and Distributed Denial of Service (DDoS) attacks. Operational stability has been a critical strategic priority during 2016 to mitigate this risk both in the short and long term. If Nets fails to attract, manage and retain qualified personnel or key employees this could result in lack of critical resources and competence to maintain stable operations.

Merchant acquiring
Fraud risk
Nets has a potential financial liability and could also suffer reputational damage for fraudulent digital payment transactions (fraudulent sales of goods and service, or customers that get defrauded). Failure to effectively manage this risk could increase Nets' chargeback liability and lead to fees from international card schemes. A chargeback normally occurs when a dispute between the merchant and the cardholder is not resolved in the favour of the merchant, so the transaction is "charged back" to the merchant and the purchase price is credited or otherwise refunded to the cardholder. If Nets is unable to collect such amounts from the merchant's account, or if the merchant refuses or is unable to e.g. due to bankruptcy, then Nets will bear the losses. The risk of fraud-related chargebacks is greater in certain industries and especially within e-commerce.

Credit risk exposure
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 tomeet their obligations to the Group.

Third parties

Outsourcing and use of third parties to carry out core business activities represent a risk while contacts and relationships with critical suppliers must also be monitored. Nets may also be exposed to stability issues with third-party systems operated by other parties in the digital payments ecosystem.

The Group has entered into license agreements with major card scheme operators relevant for the merchant acquiring activities.

For further information please find the risk management description in the Management's review of the parent company Nets A/S.

Outlook for 2017

Nets' strategy is growth-oriented with an ambition to increase our customer focus, meet target market needs and create value to our customers, partners and deliver on stability, security and integrity.

Our focus on operating efficiency and cost optimisation remains a persistent part of the strategy. In 2014, we initiated our transformation programme, part of which is aimed at improving operating efficiencies across the group.

We have an ongoing programme in which we identify and implement opportunities for productivity improvements through process redesign, capacity optimisation automation, Overhead optimisation and technology rationalisation. To improve customer deliveries, 28 robots have been implemented to automate processes in Customer Services, and more robots will be implemented in the coming year. As part of our end-to-end process optimisation, we managed to reduce the onboarding time for new customers in Betalingsservice from 30 days to an average of 3-4 hours, while for new acquiring customers it was reduced from little over 20 days to 2-3 days.

We also continue strengthening the current off- and near-shoring programmes as well as our partnering with select third parties to further improve quality and productivity.

On 31 January, Nets Denmark purchased the remaining 42.3% shares in EDIGard AS for a cash consideration of DKK 37 million. The share purchase was funded by Nets' own cash and existing credit facilities and in accordance with Nets' capital allocation principles, where investments in organic growth and add-on acquisitions are prioritised.

As a result of these actions and improvements Nets Denmark expects a year with solid organic growth in revenue and operating profit at least in line with the increase achieved from 2015 to 2016.

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Nets Denmark A/S for the financial year 1 January – 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the Financial Statements give a true and fair view of the Company's financial position as at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Ballerup, 24 March 2017

Executive Board

Jens Heurlin
CEO

Susanne Brønnum
Managing Director

Board of Directors

Bo Nilsson
Chairman

Klaus Pedersen

Pia Jørgensen

Niels Ulrik Mortensen

Independent Auditor's report

To the Shareholder of Nets Denmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Nets Denmark A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial

Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 24 March 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mikkel Sthyr
State Authorised Public Accountant

Rasmus Friis Jørgensen
State Authorised Public Accountant

Accounting policies

The annual report has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The accounting policies used are consistent with last year.

Pursuant to section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared for Nets Denmark A/S and subsidiaries as the companies are included in the consolidated financial statements of Nets A/S, Lautrupbjerg 10, DK-2750 Ballerup.

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared as the Company is included in the consolidated financial statements of Nets A/S, Lautrupbjerg 10, 2750 Ballerup.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of the liabilities can be measured reliably.

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

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

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

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

On recognition in the financial statements of subsidiaries with another functional currency than DKK, the income statements are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. The average exchange rate for the individual month is used as the exchange rate at the transaction date to the extent that this does not differ significantly. Exchange rate differences arisen when translating foreign subsidiaries' equity at the beginning of the year using the exchange rate at the balance sheet date and when translating income statements from average exchange rates at the transaction date to the exchange rate at the balance sheet date are recognised directly in equity.

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. Income statement items 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.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement provided that transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received. Fees, directly related to income from card activities are deducted in revenue.

Revenue also includes income not invoiced which is recognised at the selling price of the work performed based on the stage of completion at the balance sheet date (percentage of completion method).

Revenue is measured ex VAT and duties and less discounts granted in relation to the sale.

External Costs

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

Staff costs

Staff costs comprise wages and salaries and remuneration, pension contributions, social security costs and other salary-related costs.

Share options issued are measured at fair value at the date of granting times the probability of vesting. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. The fair value is fixed at the grant date. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The probabilities are adjusted at yearend. Nets Denmark A/S recognises the impact of adjustments to estimates, if any, in the income statement and in a corresponding adjustment to equity over the remaining vesting period. Adjustments relating to prior years are included in the income statement in the year of adjustment.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses comprise the year's depreciation on property, plant and equipment, amortisation of intangible assets and impairment losses.

Profit/loss from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement after elimination of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, realised and unrealised exchange gains and losses on payables and transactions denominated in foreign currencies, etc.

Tax

Nets 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 income statement. The tax saving as a result of losses is also refunded proportionately.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. The change in deferred tax liabilities is also recognised in the income statement.

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

Current and deferred tax is computed at the tax rates applicable.

The Group's entities are taxed under the on-account tax scheme. Interest/refund relating to the tax payment is included in interest income and expense and similar items.

Balance sheet

Intangible assets

Customer agreements

Customer agreements acquired are measured 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 exceed up to 15 years.

Goodwill

Goodwill represents the value of the current workforce and know-how and also the operational synergies expected from integration within the company. Goodwill is measured 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 of 5-10 years.

Development projects

Development projects comprise external costs and salaries and share of joint costs which are directly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Capitalised development projects are measured at cost less accumulated amortisation. Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life of 3-5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Leasehold improvements	up to 10 years
Terminals	3 years
Plant and machinery	2-4 years
Tools and equipment	2-5 years

Profit and loss on ongoing replacement of property, plant and equipment is included under external costs in the income statement.

Impairment losses

The carrying amount of intangible assets as well as property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. The carrying amount of impaired assets is reduced to the lower of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the anticipated net income from the use of the asset or group of assets.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured according to the equity method.

Investments in subsidiaries are measured at cost and subsequently at the proportionate share of the enterprises' net asset values calculated in accordance with the Parent Company's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill.

Subsidiaries with a negative net asset value are measured at DKK 0, and any receivable is written down by the parent company's share of the negative net asset value to the extent that it is considered irrecoverable. If the negative equity value exceeds the receivable, the balance is recognised under 'Provisions' to the extent the parent company has a legal or constructive obligation to cover a deficit in the subsidiary.

Acquisitions of enterprises – other than intra-group mergers - are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of 5-15 years for customer agreements and 5-10 years for goodwill.

Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet as deferred income and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the year of acquisition.

Inventories

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

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

Settlement assets and settlement obligations

Settlement assets and settlement obligations comprise balances with payment card companies primarily clearing transactions and fees that are cleared at the beginning of January with card acquirers and card issuers.

Receivables

Receivables are measured at amortised cost and necessary provisions are made for bad debt losses based on an assessment of the individual receivables.

Prepayments and

Prepayments comprise costs incurred, including operating leases

accrued income concerning subsequent financial years.

Cash at banks Cash and cash equivalents comprise cash and bank deposits.

Equity Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date when they are adopted at the annual general meeting.

Borrowings After initial recognition 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.

Pension obligations Nets has entered into defined benefit plans and defined contribution plans with its employees.

In a defined benefit plan, Nets 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 in the period in which they occur.

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, Nets 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.

Other provisions

Other provisions are measured at net realisable value. Other provisions are recognised when, as a result of past events, the company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Liabilities

Financial liabilities are measured at amortised cost. Other liabilities are measured at net realisable value.

Accruals and deferred income

Accruals and deferred income comprises payments received concerning income in subsequent years.

Segment information

Information is provided on revenue by business segments. Segment information is based on internal financial management.

Financial ratios

Financial ratios stated in the survey of financial highlights are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

Operating margin $$\frac{\text{Operating profit x 100}}{\text{Revenue}}$$

Liquidity ratio $$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$$

Solvency ratio $$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$$

Return on equity $$\frac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$$

Income statement

Notes	DKKm	2016	2015
1	Revenue	5,466.6	5,372.3
	External costs	2,445.3	2,527.5
2	Staff costs	1,641.6	1,561.0
	Profit before depreciation, amortisation and impairment losses	**1,379.7**	**1,283.8**
6 & 7	Depreciation, amortisation and impairment losses	257.9	198.0
	Operating profit	**1,121.8**	**1,085.8**
8	Profit/loss from subsidiaries after tax	119.2	97.0
9	Profit/loss from associates after tax	4.3	-3.0
	Profit/loss before financial income and expenses	**1,245.3**	**1,179.8**
3	Financial income	14.5	33.9
3	Financial expenses	79.0	60.4
		-64.5	-26.5
	Profit/loss before tax	**1,180.8**	**1,153.3**
5	Tax	280.1	272.0
	Net profit for the year	**900.7**	**881.3**
4	**Proposed profit appropriation:**		
	Proposed dividends	900.0	880.0
	Reserve development projects	228.9	0.0
	Retained earnings	-228.2	1.3
	Total appropriation	**900.7**	**881.3**

Balance sheet

Notes	Assets DKKm	2016	2015
6	Intangible assets		
	Customer agreements	0.1	0.5
	Goodwill	24.5	48.8
	Development projects	381.4	52.7
	Development projects in progress	166.6	335.1
		572.6	437.1
7	Property, plant and equipment		
	Leasehold improvements	63.4	50.1
	Terminals	49.0	40.4
	Plant and machinery	155.2	54.3
	Tools and equipment	3.0	7.0
		270.6	151.8
	Investments		
8	Investments in subsidiaries	928.1	779.7
9	Investments in associates	15.3	11.0
14	Deferred tax asset	40.2	32.2
10	Deposits	14.3	14.7
		997.9	837.6
	Total non-current assets	**1,841.1**	**1,426.5**
	Current assets:		
	Inventories	57.0	57.3
		57.0	57.3
	Receivables:		
	Settlement assets	1,039.4	1,433.7
	Trade receivables	399.4	397.3
11	Group enterprises	1,628.6	428.1
	Other receivables	1.0	0.4
12	Prepayments	148.0	111.3
		3,216.4	2,370.8
	Cash at banks	40.6	91.3
	Total current assets	**3,314.0**	**2,519.4**
	Total assets	**5,155.1**	**3,945.9**

Contingent assets: None

Balance sheet

Notes	Liabilities DKKm	2016	2015
13	Equity and liabilities		
	Share capital	264.5	264.5
	Reserve development projects	228.9	0.0
	Retained earnings	1,313.1	1,324.2
	Proposed dividends	900.0	880.0
	Total equity	**2,706.5**	**2,468.7**
	Non-current liabilities:		
	Borrowings	16.7	0.0
14	Deferred tax	94.1	55.1
15	Pension obligations	54.3	49.6
16	Other provisions	241.4	125.6
	Total non-current liabilities	**406.5**	**230.3**
	Current liabilities:		
	Borrowings	5.2	0.0
	Trade payables	588.6	483.0
	Settlement obligations	6.4	91.3
11	Group enterprises	978.1	274.5
	Tax	11.8	0.3
	Other payables	437.6	383.4
17	Deferred income	14.4	14.4
	Total current liabilities	**2,042.1**	**1,246.9**
	Total equity and liabilities	**5,155.1**	**3,945.9**

Securities: None

18 Contingent liabilities
19 Related party disclosures
20 Events after the balance sheet date

Statement of changes in equity

DKKm	Share capital	Reserve development projects	Retained earnings	Dividends	Total
Equity at 1 January 2015	**264.5**	**0.0**	**1,273.0**	**305.0**	**1,842.5**
Foreign exchange adjustment	0.0	0.0	-95.1	0.0	-95.1
Received group contribution	0.0	0.0	537.0	0.0	537.0
Submitted group contribution, net	0.0	0.0	-392.0	0.0	-392.0
Distributed dividends	0.0	0.0	0.0	-305.0	-305.0
Transferred, cf. profit appropriation	0.0	0.0	1.3	880.0	881.3
Equity at 1 January 2016	**264.5**	**0.0**	**1,324.2**	**880.0**	**2,468.7**
Foreign exchange adjustment	0.0	0.0	55.4	0.0	55.4
Received group contribution, net	0.0	0.0	695.5	0.0	695.5
Submitted group contribution, net	0.0	0.0	-506.3	0.0	-506.3
Submitted group contribution in Nets Norge Infrastruktur AS, net	0.0	0.0	-20.5	0.0	-20.5
Submitted group contribution in Nets Finland Oy, net	0.0	0.0	-51.0	0.0	-51.0
Share-based payments (Employee share bonus)	0.0	0.0	44.0	0.0	44.0
Distributed dividends	0.0	0.0	0.0	-880.0	-880.0
Transferred, cf. profit appropriation	0.0	228.9	-228.2	900.0	900.7
Equity at 31 December 2016	**264.5**	**228.9**	**1,313.1**	**900.0**	**2,706.5**

Notes to the Financial Statements

Amounts in DKKm

1. Revenue

Total revenue are specified as follows:	2016	2015
Merchant Services	588.7	626.0
Financial & Network Services	2,251.0	2,081.8
Corporate Services	2,626.9	2,664.5
	5,466.6	5,372.3
Of this amount, revenue outside Denmark	2,199.8	2,194.0

2. Staff costs

Total staff costs are specified as follows:	2016	2015
Wages and salaries and remuneration	1,280.3	1,214.1
Pension contributions	123.2	114.8
Other salary-related costs	238.1	232.1
	1,641.6	1,561.0

No remuneration has been paid to the Company's management.

Average number of full-time employees:	1,548	1,639
Number of full-time employees year-end:	1,543	1,558

Share option programme
A long-term share option programme was established in 2016 in connection with the IPO of the parent company Nets A/S and granted to Management and certain key employees. In connection with the Annual General Meeting, and as determined by the Board of Directors, share options are granted annually for an amount equivalent to 20-100% of annual salary (however maximum 0.75% of the share capital). Vesting is subject to fulfilment of certain key financial targets and continued employment at the vesting date. Each option gives the right to purchase one existing share in Nets A/S.

Retention programme
In connection with the IPO, a non-recurring share-based retention programme has been established for members of the Executive Committee and certain other employees (the "Retention Programme"). Under the Retention Programme, the participants may be granted shares at the end of a 720-day period subsequent to the date where the Company was listed. The shares equal an amount of 24 months' base salary, provided, among other things, that the participants have retained at least 25% of the total number of shares that were directly or indirectly held by the participant under the former management Incentive Programme.

Employee share award
Following the IPO each full-time employee was awarded shares worth DKK 24,900. The consolidated group expense in connection with the employee share award amounted to DKK 64 million (Nets Denmark A/S part DKK 44.0 million) in total including social costs. The shares delivered under the employee share award were covered by issuing bonus shares.

3. Financial income and financial expenses

	2016	2015
Financial income:		
Group enterprises	14.5	30.0
Other interest income	0.0	3.9
	14.5	33.9
Financial expenses:		
Group enterprises	67.9	57.0
Other interest expenses	2.2	1.6
Other financial items	6.9	0.0
Foreign exchange loss, net	2.0	1.8
	79.0	60.4

4. Proposed profit appropriation

	2016	2015
Proposed dividends	900.0	880.0
Reserve development projects	228.9	0.0
Retained earnings	-228.2	1.3
Total appropriation	900.7	881.3

5. Tax

	2016	2015
Joint taxation contribution	74.4	84.6
Change in deferred tax liability	39.0	29.4
Change in deferred tax asset	8.0	11.0
Deferred tax asset, changes in tax rate in Norway	0.0	2.6
Tax in foreign branches	158.7	144.4
	280.1	272.0

6. Intangible assets

	Customer agreements	Goodwill	Development projects	Development projects in progress
Cost at 1 January	39.7	460.6	115.7	335.1
Additions	0.0	0.0	469.3	166.6
Disposals	0.0	0.0	-8.8	-335.1
Exchange rate adjustment	2.2	20.6	12.0	0.0
Cost at 31 December	41.9	481.2	588.2	166.6
Amortisation and impairment losses at 1 January	39.2	411.8	63.0	0.0
Amortisation for the year	0.4	26.2	149.7	0.0
Disposals	0.0	0.0	-8.8	0.0
Exchange rate adjustment	2.2	18.7	2.9	0.0
Amortisation and impairment losses at 31 December	41.8	456.7	206.8	0.0
Carrying amount at 31 December	0.1	24.5	381.4	166.6

7. Property, plant and equipment

	Leasehold improvements	Terminals	Plant and machinery	Tools and equipment
Cost at 1 January	158.1	194.1	415.0	20.8
Additions	27.2	41.9	129.2	0.0
Disposals	0.0	7.1	31.8	4,9
Exchange rate adjustment	6.6	8.2	23.0	0.6
Cost at 31 December	191.9	237.1	535.4	16.5
Depreciation and impairment losses at 1 January	108.0	155.7	360.7	13.8
Depreciation for the year	16.2	30.0	32.9	2.5
Disposals	0.0	4.5	31.8	3.2
Exchange rate adjustment	4.3	6.9	18.4	0.4
Depreciation and impairment losses at 31 December	128.5	188.1	380.2	13.5
Carrying amount at 31 December	63.4	49.0	155.2	3.0

Hereof amounts leased assets to DKK 21.9 million.

8. Investments in subsidiaries

	2016	2015
Cost at 1 January	1,189.2	972.1
Additions	188.5	217.1
Cost at 31 December	1,377.7	1,189.2
Value adjustment at 1 January	-409.5	-465.3
Adjustment at 1 January	4.0	-5.0
Dividends	-100.9	-29.9
Group contribution	-71.5	0.0
Share-based payments (Employee share bonus)	5.6	0.0
Profit after tax	119.2	97.0
Exchange rate adjustment	3.5	-6.3
Value adjustment at 31 December	-449.6	-409.5
Carrying amount at 31 December	928.1	779.7
Fair value recognition from business combinations (goodwill)	354.8	368.1

	Ownership	Share capital
Nets DanID A/S, Lautrupbjerg 10, DK-2750 Ballerup	100%	50.1
Nets Cards Processing A/S, Lautrupbjerg 10, DK-2750 Ballerup	100%	21.5
Signaturgruppen A/S, Inge Lehrmanns Gade 10, DK-Aarhus C	51%	0.5
Storebox ApS, Fruebjergvej 3, DK-2100 Copenhagen Ø	73%	0.2
Nets Norge Infrastruktur AS, Haavard Martinsens vei 54, NO-0980 Oslo, Norway	100%	0.1
EDIGard AS, Dueknipen 1, NO-4616 Kristiansand S, Norway	57%	4.0
ITP Baltic SIA, Inzenieru iela 101, Ventspils LV-3601, Latvia	57%	0.02
Nets Finland Oy, Teollisuuskatu 21. FI-0510 Helsinki, Finland	100%	0.1
Nets Sweden AB, Lumaparksvägen 9-11, S 120 31 Stockholm, Sweden	100%	20.0
Nets Estonia AS, Tartu maantee 63, 10115 Tallinn, Estonia	100%	0.5

Results 2015	Net profit	Equity
Nets DanID A/S	-9.8	40.2
Nets Cards Processing A/S, Ballerup	2.6	51.5
Signaturgruppen A/S	11.4	17.6
Storebox ApS	-0.8	-0.7
Nets Norge Infrastruktur AS, NOK	47.9	138.6
EDIGard AS, NOK	8.6	23.2
ITP Baltic SIA, EUR	0.02	0.009
Nets Finland Oy, EUR	0.1	0.3
Nets Sweden AB, SEK	17.6	60.3
Nets Estonia AS, EUR	3.4	25.7

9. Investments in associates

	2016	2015
Cost at 1 January	60.4	60.4
Additions	0.0	0.0
Cost at 31 December	60.4	60.4
Value adjustment at 1 January	-49.4	-36.4
Adjustment at 1 January	-2.7	-5.6
Dividends	0.0	-10.0
Share of profit after tax and depreciation and amortisation	7.0	1.7
Exchange rate adjustment	0.0	0.9
Value adjustment at 31 December	-45.1	-49.4
Carrying amount at 31 December	15.3	11.0

	Ownership	Share capital
e-Boks A/S, Ballerup	50%	12.0
e-Boks AS, Norway NOK	50%	1.2
e-Boks AB, Sweden SEK	50%	0.05

10. Deposits

	2016	2015
Cost at 1 January	14.7	14.6
Additions	0.0	0.1
Disposals	0.4	0.0
Cost at 31 December	14.3	14.7

11. Group entities

The Company has entered a cash pool arrangement with Nets A/S and related companies in the Nets A/S Group. Of total assets, the cash pool arrangement amounts to DKK 272.8 million (2015: DKK 2.1 million of total liabilities).

12. Prepayments

	2016	2015
Prepaid IT costs	80.3	47.7
Other	67.7	63.6
	148.0	111.3

13. Equity

The share capital is owned by Nets Holding A/S, Lautrupbjerg 10, 2750 Ballerup.

The share capital has been increased by DKK 114.5 million on 17 June 2015 according to the merger on 1 January 2015 with Norwegian Nets Norway AS. There has not been other changes in the last 5 years.

The share capital comprises shares of DKK 1.00 each.

Nets Denmark A/S is part of the consolidated Financial Statements for the ultimate parent company of Nets A/S, Lautrupbjerg 10, 2750 Ballerup.

14. Net deferred tax asset/liabilities

	2016	2015
Classified as follows:		
Deferred tax asset	40.2	32.2
Deferred tax liability	-94.1	-55.1
	-53.9	-22.9

15. Pension obligations

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. Nets Denmark 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 enters into the agreement.

The actuarial assumptions used for the valuation of the pension obligation are based on regularly used assumptions within insurance for demographic factors. Nets Denmark 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.

16. Other provisions

	2016	2015
Provision for warranty claim relating to repair costs and products returned regarding terminals	1.0	0.6
Deferred consideration EDIGard AS	41.0	0.0
Deferred consideration Storebox ApS	67.5	0.0
Deferred consideration Signaturgruppen A/S	131.9	125.0
Carrying amount at 31 December	241.4	125.6

17. Deferred income

This includes accrual of annual fee from shops regarding the Dankort.

18. Contingent liabilities

The Company is jointly taxed with other companies in the Nets A/S Group. Together with the other companies included in the joint taxation, the Company has joint and several unlimited liabilities for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

The Company is comprised by a joint registration with other Danish companies owned by Nets Holding A/S. Together with the other companies included in the joint registration, the Company has joint and several unlimited liabilities for Danish VAT, payroll tax and interest within the joint registration.

The Company has entered into leases remaining in force until the end of 2027. Total liabilities amount to DKK 434 million (2015: DKK 66 million) with an average annual payment of DKK 44 million.

The Company has entered into a number of long-term agreements on purchase of services.

The Company is party to a number of pending lawsuits and disputes. In Management's opinion, apart from the receivables and payables recognised in the balance sheet at 31 December 2016, the outcome of these lawsuits will not further affect the Company's financial position.

Jointly with other material subsidiaries within Nets Group, Nets Denmark A/S is providing cross-guarantees for the obligations under the IPO Facilities Agreement dated 6 July 2016.

19. Related parties

All transactions with related parties are made on an arm's length basis.

20. Events after the balance sheet date

On 31 January, Nets Denmark purchased the remaining 42.3% shares in EDIGard AS for a cash consideration of DKK 37 million. No other significant events affecting the annual report for 2016 have occurred subsequent to 31 December 2016.