Nets A/S

Annual Report 2015

Adopted at the Annual General Meeting
31 March 2016

Chairman of the AGM:

Tine K. Boye

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Nets A/S
Lautrupbjerg 10
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CVR no. 20 01 61 75

Key figures

(DKK million)	2015	2014*	2013*	2012*	2011*
Income statement					
Revenue	5,372	5,262	5,238	5,126	4,853
Profit before depreciation, amortisation and impairment losses	1,284	1,110	1,099	1,001	962
Operation profit	1,086	951	916	834	747
Profit/loss from financial income and expenses, net	-27	9	27	52	58
Net profit	881	703	607	565	561
Balance sheet as at 31 December					
Total assets	3,946	4,539	5,062	4,934	3,583
Investment tangible assets	74	75	100	126	142
Investment intangible assets	264	187	69	0	63
Equity	2,469	1,843	1,663	1,385	1,652
Financial ratios (%)					
Operating margin	20	18	17	16	15
Liquidity ratio	202	133	119	108	113
Solvency ratio	63	41	33	28	46
Return on equity	41	40	40	37	40

*) Key figures for the years 2014 – 2011 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 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.

As a Nordic FinTech company specialised in powering digital payments, Nets connect banks, businesses, the public sector and consumers via an international network facilitating digital payments. We offer a wide range of standard and customised end-to-end IT solutions, building on our comprehensive network and a commitment to deliver stable and secure operations at all times. We provide a broad range of services within payment cards, bank account services, and payment solutions for merchants. For more than four decades, we have been instrumental in developing a modern payment infrastructure, with the introduction of a number of strong payment products to Nordic societies including Dankort, Betalingsservice, NemID, BankID, Avtalegiro and BankAxept.

Nets A/S has merged with the Norwegian sister company Nets Norway AS effective 1 January 2015 and the Norwegian business hereof are now carried out through Nets Branch Norway. In Sweden are the business carried out through Nets Branch Sweden.

2015 highlights

In 2015, 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 881 million, which is an increase of DKK 178 million compared to 2014. The profit level was in line with expectations.

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 329 million. Equity at 31 December 2015 amounted to DKK 2,469 million included proposed dividend at DKK 880 million.

Revenue

Nets operates in three main business areas:

- Merchant Services
- Card Services

- Account Services

and revenue increased by 2% compared to last year and amounted to DKK 5,372 million.

Costs

Production and staff costs decreased by 1,5% compared to 2014 and amounted to DKK 4,089 million. There are used significant resources to optimize operations and processes so Nets can handle increased transaction volumes efficiently in the future.

Equity

Equity amounted to DKK 2,469 million, which is equivalent to a solvency ratio of 63% compared to 41% ultimo 2014. Proposed dividends amounted to DKK 880 million, compared to DKK 305 million in 2014.

Merchant Services

Nets' ambition is to be the one-stop shop and value-adding payment services for all Nordic merchants as their front-end payment point, offering full front-end solutions to small and medium-sized enterprises. Strengthening merchant and consumer data services will contribute to achieving this.

Nets serve our merchant customers' businesses with payment acceptance (payment terminals, e-com and mobile) and merchant acquiring (runs by sister company Teller A/S) of the broadest range of payment methods in the Nordic region. Nets are present across all Nordic and Baltic countries and work with a broad set of value-adding partners across the region.

In order to provide a broader range of value-adding and information-based services, Nets have acquired Danish Storebox which provides e-receipts, loyalty and information solutions based on instant recognition of the consumer.

Mobile payment solutions continue to grow, and Nets are very actively involved in enabling merchants to accept various mobile-based payments.

Nets manage and simplify 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. Furthermore, Nets enable merchants to accept payments and receive settlement, both in different currencies, depending on merchant needs and consumer preferences.

Card Services

Nets' ambition is to make our customers successful by delivering card payments simpler, smarter and faster with innovative solutions. By offering the preferred solutions and leading brands in the Danish payments ecosystem, Nets will strengthen their digital footprint and position towards merchants and cardholders. The contactless function for Dankort launched in 2015 and preparing domestic cards for mobile payment, along with strengthened fraud prevention services, contribute to this.

Nets, a major international card processor in the Nordic and Baltic regions, have a market footprint spanning across a portfolio of Acquirer & Issuer Processing services, and complementary services such as Card Management Systems, Fraud & Dispute, and Mobile Services.

The business area also handles domestic card schemes. Dankort and BankAxept - the national debit cards in Denmark and Norway respectively - have been instrumental in the establishment of a modern Nordic electronic card payment infrastructure, currently processing over 2.6 billion transactions a year, based on 24/7 secure operations with an average uptime in 2015 of 99,94% for Dankort and 99,99% for BankAxept.

In 2015, international card transactions and usage have continued the move towards a cashless society, continuing their double digit growth. The trend is supported by a more extensive use of mobile technologies.

In this market space, Nets have managed to increase their customer portfolio with new clients in Sweden and the Baltics while also supporting existing customers in their efforts to bring new card products and services to the market. This ranges from the roll-out of contactless cards to the launch of mobile wallets. Card 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. In December, the launch of Dankort for smartphones for the autumn of 2016 was announced. Similarly, features on the Dankort, such as a new tokenised loyalty infrastructure based on Nets technology, were introduced in 2015, enabling merchants to connect loyalty programmes with 5.5 million Dankort holders

In May, Nets entered into a three-year agreement to operate the common operational infrastructure (COI) for BankAxept in Norway. Nets/NNI has been responsible for operating the BankAxept scheme since its launch in 1991. In 2015, the unit prepared Nets' infrastructure to accept contactless BankAxept transactions from POS for both mobile and plastic cards.

Nets process a high volume of transactions from different card schemes on behalf of customers who are acquirers and/or issuers of payment cards. The card transaction may originate at a point-of-sale (POS), the internet, from a mobile device a.o. In order to enable the transaction volumes, Nets must have either the issued card or the merchant agreement on file. In addition to transaction processing, Nets sell a range of managed services, a security & authentication solution, anti-fraud services and card & merchant administration services.

The Dankort scheme is based on a four-corner model in which Nets operates as an Issuer Service Provider (ISP), an acquirer and a processor as well as being the scheme owner. The BankAxept scheme is based on a four-corner model in which Nets through daughter company Nets Norge Infrastruktur AS operates the processing part on behalf of BankAxept. Key services include the control and exchange of authorisation requests, as well as the preparation of reconciliation, settlement and capital transactions for the Norwegian Interbank Clearing System (NICS). The revenue model for both card schemes is based on the number of card transactions and merchants.

Account Services

Nets' ambition is to be the premium provider of account-to-account services, including services within collection, payment and clearing, as well as to enable secure and convenient digital identity in Denmark and Norway and make business processes paperless through digitisation. Account Services will secure and develop its customer base by facilitating easier onboarding, adopting new customer interfaces and proactively engaging with the banking sector to enable real-time banking and payments, and drive the digital roadmap on a Nordic RTC adoption and Intraday growth. In addition, we want to be the obvious choice for secure and convenient digital identity in the Danish and Norwegian public and private markets, developing next generation e-identity.

Nets provide the infrastructure used by banks for clearing and settling payment transfers among banks, enabling them to provide value-added services like mobile payments on top of the infrastructure.

Within electronic security and identity, Nets develop and operate the national Danish digital identity solution, NemID, and its Norwegian counterpart BankID, with usage rates having steadily increased since their introductions in 2010 and 2004 respectively.

In addition, Nets help customers make their business processes paperless, leading to reduced cost, increased agility and improved customer satisfaction.

Last, but not least, Nets handle account-to-account-based payments, addressing the need for automated reconciliation, predictability, liquidity planning, on-time payments, safety and need for information. The market foot print is within Denmark and Norway and mainly builds on direct debit services, with key offerings that include Betalingsservice (DK) and AvtaleGiro (NO) for business-to-consumer, and Leverandørservice (DK) and AutoGiro (NO) for business-to-business.

Within clearing, demand rose in 2015 due to dynamics in both end-customer preferences and new digital potentials. On top of the existing services relating to NICS in Norway and Sum- & Intraday clearing in Denmark, the utilisation of RealTime24/7, Nets' express clearing solution launched in November 2014, took off as an infrastructure basis for the mobile platforms known as peer-to-peer (P2P) payments. Within the first year of production, a total of 70 million transactions were handled with monthly growth rates of more than 15%.

In terms of digital identity, NemID processed nearly 733 million transactions, an increase of 12% compared with 2014, which means a NemID is used 13.3 times a month. In November 2015, NemID celebrated more than 3 billion transactions processed since its launch in 2010. BankID processed 421 million transactions, an increase of 25% compared with 2014, which means a BankID is used 7.5 times a month. The Java-free NemID/BankID solutions launched end of 2014 are the main drivers of the increase.

2015 marked a breakthrough for Nets' digitisation services in Denmark, with almost 40% of local authorities in Denmark as customers along with various financial service companies. The ediEX technology was introduced in the Danish and Finnish markets, almost doubling its revenue in 2015. Transaction volume on main services continued to grow, including eFaktura in the Norwegian market by 20%, and Signing and Identification Services on a Nordic level by 80%.

During 2015, Nets experienced increased competition within payment services from recurring cards, especially in Denmark. Due to a sound value proposition and credibility among both consumers and companies in the Danish market, however, a growth above 2% has nonetheless been realised. In Norway, AvtaleGiro has further digitised the Norwegian payment society with a growth rate above 8% in 2015. The main focus in Norway has in recent years been to upgrade the technical platform on direct debit and other payment services in order to be able to compete on future payments such as real-time, mobile and back-end credit transfers. Nets have delivered the first real-time payment based on the Norwegian real-time payment infrastructure.

Within digitisation, NemID and BankID serve as login and signing solutions for all domestic banks, the public sector and about 600 private service providers. NemID is operated on behalf of Digitaliseringsstyrelsen and the Danish banking sector under two separate agreements. In addition, NemID is sold to private companies as a means of login on a user or transaction-volume basis. BankID is operated under an agreement with BankID Norway representing the Norwegian banking sector. In addition, it is used by the public sector and private companies. Digitisation services are sold either directly in the market or indirectly via partners, mainly banks.

Within its payment activities, Nets' business model is built upon a strong network of payees and payers featuring recurring payments as the core value proposition. Even though go-to-market models vary from Denmark to Norway, the position is 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 companies.

Strategy, management & organisation

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

The strategy is growth-oriented with an ambition to increase customer focus, meet target market needs and become more agile. As a consequence, we have designed a new, effective operating model which ensures transparency, agility and a strong market-oriented outlook and was implemented in the second half of 2015.

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, and how well these targets are accomplished will ultimately be linked to reward as one of a number of performance drivers.

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 expect this percentage to have risen in relation to performance in 2015.

Corporate social responsibility (CSR) and Statutory statement on social responsibility and the underrepresented gender in accordance with sections 99a & 99b of the Danish Financial Statements Act.

Please find the CSR-description of this subject in the Management's review of the parent company, Nets Holding 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 Holding A/S.

Since the Board of Directors of Nets A/S has equal gender representation (1 female and 2 males), Nets A/S is not required to set nor to report upon a target for equal representation on the Board of Directors.

With respect to the policy for the underrepresented 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 Holding A/S.

Risks and security

Nets operate in a competitive and volatile market characterised by changes to technology, business and operations, making risk management an integral part of doing business. Nets' 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, we have set a clear course of action for managing our risk landscape. Nets' business is based on the trust of its customers in Nets' ability to manage their information and processes in a secure and stable manner.

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

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

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

Liquidity and currency management are conducted in accordance with established policies and instructions. The companies within the Nets Holding Group have invested surplus liquidity in contract accounts. These investments have a foreign exchange and credit risk. The Group has no particular currency risks.

The external threat scenario is constantly changing, and developments are closely monitored by Nets. There is a focus on identity theft and card fraud both nationally and internationally. Nets has a focus on initiatives which will prevent fraud. These initiatives have significantly reduced the losses suffered by both customers and Nets as a result of fraud.

Outlook for 2016

Nets' strategy is growth-oriented with an ambition to increase our customer focus, meet target market needs and become more agile. As a consequence, we have designed and implemented a new, effective operating model which ensures transparency, agility and a strong market-oriented outlook.

Technology supports business units across Nets by providing secure and stable operations while accommodating flexibility and scalability. Technology also helps accelerate time-to-market, thus helping our business units gain customer impact through strong delivery. Similarly, Operations helps our business units secure customer focus by providing easy and efficient end-to-end solutions for their customer processes, including digitised processes that allow self-service.

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

As a result of these actions and improvements Nets expects a year with solid organic growth in revenue and operating profit. Nets will continue to streamline operations and processes and invest in innovative solutions with an ambition to create value to our customers, partners and deliver on stability, security and integrity.

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 A/S for the financial year 1 January - 31 December 2015.

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 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

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, 29 March 2016

Executive Board

Susanne Brønnum
Managing Director

Board of Directors

Bo Nilsson *Chairman*	Susanne Brønnum	Jens Heurlin

Independent Auditor's report

To the Shareholder of Nets A/S

Independent Auditor's Report on the Financial Statements

We have audited the Financial Statements of Nets A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.
Statement on the 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 Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Financial Statements.

Hellerup 29 March 2016

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.

Nets Denmark A/S, Ballerup, has merged with the Norwegian sister company Nets Norway AS effective 1 January 2015. Nets Denmark A/S, Ballerup is the continuing company and has changed name to Nets A/S. The merger was completed using the aggregating method, according to which assets and liabilities from the subsidiaries are included at book value. The balance sheet does not reflect goodwill or badwill.

Pursuant to section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared for Nets A/S and subsidiaries as the companies are included in the consolidated financial statements of Nets Holding 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 Holding 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 accounting 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.

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 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 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 cost less accumulated amortisation and are amortised up to 15 years.

Goodwill

Goodwill is measured at cost less accumulated amortisation and is amortised over 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 accrued income

Prepayments comprise costs incurred, including operating leases concerning subsequent financial years.

Cash at bank and in hand

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.

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 $\dfrac{\text{Operating profit x 100}}{\text{Revenue}}$

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

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

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

Income statement

Notes	DKKm	2015	2014
1	Revenue	5,372.3	5,261.9
	External costs	2,527.5	2,543.3
2	Staff costs	1,561.0	1,609.0
	Profit before depreciation, amortisation and impairment losses	**1,283.8**	**1,109.6**
5 & 6	Depreciation, amortisation and impairment losses	198.0	158.4
	Operating profit	**1,085.8**	**951.2**
7	Profit/loss from subsidiaries after tax	97.0	-13.3
8	Profit/loss from associates after tax	-3.0	12.9
	Profit/loss before financial income and expenses	**1,179.8**	**950.8**
3	Financial income	33.9	20.7
3	Financial expenses	60.4	11.5
		-26.5	9.2
	Profit/loss before tax	**1,153.3**	**960.0**
4	Tax	272.0	257.5
	Profit/loss for the year	**881.3**	**702.5**
	Proposed profit appropriation:		
	Proposed dividends	880.0	305.0
	Retained earnings	1.3	397.5
	Total appropriation	**881.3**	**702.5**

Balance sheet

Notes	Assets DKKm	2015	2014
5	Intangible assets		
	Customer agreements	0.5	2.5
	Goodwill	48.8	81.8
	Development projects	52.7	57.5
	Development projects in progress	335.1	150.3
		437.1	292.1
6	Property, plant and equipment		
	Leasehold improvements	50.1	62.1
	Terminals	40.4	53.6
	Plant and machinery	54.3	50.5
	Tools and equipment	7.0	11.0
		151.8	177.2
	Investments		
7	Investments in subsidiaries	779.7	506.8
8	Investments in associates	11.0	24.0
13	Deferred tax asset	32.2	48.9
9	Deposits	14.7	14.6
		837.6	594.3
	Total non-current assets	**1,426.5**	**1,063.6**
	Current assets:		
	Inventories	57.3	73.9
		57.3	73.9
	Receivables:		
	Settlement assets	1,433.7	1,593.6
	Trade receivables	397.3	310.4
10	Group enterprises	428.1	1,126.9
	Other receivables	0.4	10.3
11	Prepayments	111.3	139.3
		2,370.8	3,180.5
	Cash at bank and in hand	91.3	220.5
	Total current assets	**2,519.4**	**3,474.9**
	Total assets	**3,945.9**	**4,538.5**

Contingent assets: None

Balance sheet

Notes	Liabilities DKKm	2015	2014
12	Equity and liabilities		
	Share capital	264.5	264.5
	Retained earnings	1,324.2	1,273.0
	Proposed dividends	880.0	305.0
	Total equity	**2,468.7**	**1,842.5**
	Non-current liabilities:		
13	Deferred tax	55.1	25.7
14	Pension obligations	49.6	60.5
15	Other provisions	125.6	1.0
	Total non-current liabilities	**230.3**	**87.2**
	Current liabilities:		
	Trade payables	483.0	321.0
	Settlement obligations	91.3	202.9
10	Group enterprises	274.5	1,669.9
	Tax	0.3	12.1
	Other payables	383.4	389.5
16	Deferred income	14.4	13.4
	Total current liabilities	**1,246.9**	**2,608.8**
	Total equity and liabilities	**3,945.9**	**4,538.5**

Securities: None

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

Statement of changes in equity

DKKm	Share capital	Retained earnings	Dividends	Total
Equity at 1 January 2014	**264.5**	**834.3**	**564.1**	**1,662.9**
Foreign exchange adjustment	0.0	-74.4	0.0	-74.4
Received group contribution	0.0	428.1	0.0	428.1
Submitted group contribution, net	0.0	-312.5	0.0	-312.5
Distributed dividends	0.0	0.0	-564.1	-564.1
Transferred, cf. profit appropriation	0.0	397.5	305.0	702.5
Equity at 1 January 2015	**264.5**	**1,273.0**	**305.0**	**1,842.5**
Foreign exchange adjustment	0.0	-95.1	0.0	-95.1
Received group contribution	0.0	537.0	0.0	537.0
Submitted group contribution, net	0.0	-392.0	0.0	-392.0
Distributed dividends	0.0	0.0	-305.0	-305.0
Transferred, cf. profit appropriation	0.0	1.3	880.0	881.3
Equity at 31 December 2015	**264.5**	**1,324.2**	**880.0**	**2,468.7**

Notes to the Financial Statements

Amounts in DKKm

1. Revenue

	2015	2014
Total revenue are specified as follows:		
Merchant Services	626.0	661.8
Card Services	2,020.2	1,875.8
Account Services	2,726.1	2,724.3
	5,372.3	5,261.9
Of this amount, revenue outside Denmark	2,194.0	2,228.9

2. Staff costs

	2015	2014
Total staff costs are specified as follows:		
Wages and salaries and remuneration	1,214.1	1,250.2
Pension contributions	114.8	136.7
Other salary-related costs	232.1	222.1
	1,561.0	1,609.0

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

Average number of full-time employees:	1,639	1,768
Number of full-time employees year-end:	1,558	1,708

3. Financial income and financial expenses

	2015	2014
Financial income:		
Group enterprises	30.0	13.8
Other interest income	3.9	3.4
Foreign exchange gain, net	0.0	3.5
	33.9	20.7
Financial expenses:		
Group enterprises	57.0	9.8
Other interest expenses	1.6	1.7
Foreign exchange loss, net	1.8	0.0
	60.4	11.5

4. Tax

	2015	2014
Joint taxation contribution	84.6	93.7
Adjustments in respect of previous years joint taxation	0.0	-5.1
Change in deferred tax liability	29.4	14.0
Adjustment of deferred tax regarding previous years in Denmark	0.0	5.0
Change in deferred tax asset	11.0	11.8
Deferred tax asset, changes in tax rate in Norway	2.6	0.0
Tax in foreign branches	144.4	138.1
	272.0	257.5

5. Intangible assets

	Customer agreements	Goodwill	Develop-ment projects	Develop-ment projects in progress
Cost at 1 January	42.0	483.6	103.9	136.8
Additions	0.2	0.0	15.7	247.9
Disposals	0.0	0.0	0.0	40.8
Exchange rate adjustment	-2.5	-23.0	-3.9	-8.8
Cost at 31 December	39.7	379.6	115.7	335.1
Amortisation and impairment losses at 1 January	39.5	401.8	33.9	0.0
Amortisation for the year	2.1	32.3	32.0	0.0
Exchange rate adjustment	-2.4	-25.7	-2.9	0.0
Amortisation and impairment losses at 31 December	39.2	401.8	63.0	0.0
Carrying amount at 31 December	0.5	48.8	52.7	335.1

6. Property, plant and equipment

	Leasehold improve-ments	Terminals	Plant and machinery	Tools and equipment
Cost at 1 January	160.0	177.1	403.0	27.1
Additions	5.9	28.8	38.6	1.0
Disposals	0.9	2.8	2.7	6.6
Exchange rate adjustment	-6.9	-9,0	-23.9	-0.7
Cost at 31 December	158.1	194.1	415.0	20.8
Depreciation and impairment losses at 1 January	97.9	123.5	352.5	16.1
Depreciation for the year	15.8	38.5	31.3	4.0
Disposals	0.9	0.8	2.6	5.8
Exchange rate adjustment	-4.8	-7.5	-20.5	-0.5
Depreciation and impairment losses at 31 December	108.0	155.7	360.7	13.8
Carrying amount at 31 December	50.1	40.4	54.3	7.0

7. Investments in subsidiaries

	2015	2014
Cost at 1 January	972.1	961.1
Additions	217.1	11.0
Cost at 31 December	1,189.2	972.1
Value adjustment at 1 January	-465.3	-405.4
Adjustment at 1 January	-5.0	0.0
Dividends	-29.9	-46.1
Profit/loss after tax	97.0	-13.3
Exchange rate adjustment	-6.3	-0.5
Value adjustment at 31 December	-409.5	-465.3
Carrying amount at 31 December	779.7	506.8

	Ownership	Share capital
Nets DanID A/S, Ballerup	100%	50.1
Nets Cards Processing A/S, Ballerup	100%	21.5
Signaturgruppen A/S	51%	0.5
Nets Norge Infrastruktur AS, Norway NOK	100%	0.1
EDIGard AS, Norway NOK	53%	4.0
ITP Baltic SIA, Latvia EUR	53%	0.02
Nets Finland Oy, Finland EUR	100%	0.1
Nets Sweden AB, Sweden SEK	100%	20.0
Nets Estonia AS, Estonia EUR	100%	0.5

8. Investments in associates

	2015	2014
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	-36,4	-38,8
Adjustment at 1 January	-5.6	0,0
Dividends	-10.0	-10,0
Share of profit after tax and depreciation and amortisation	1.7	12,9
Exchange rate adjustment	0.9	-0,5
Value adjustment at 31 December	-49.4	-36,4
Carrying amount at 31 December	11.0	24.0

	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

9. Deposits

	2015	2014
Cost at 1 January	14.6	15.9
Additions	0.1	0.0
Disposals	0.0	1.3
Cost at 31 December	14.7	14.6

10. Group entities

The Company has entered a cash pool arrangement with Nets Holding A/S and related companies in the Nets Holding A/S Group. Of total liabilities, the cash pool arrangement amounts to DKK 2.1 million (2014: DKK 1,102.4 million).

11. Prepayments

	2015	2014
Prepaid IT costs	47.7	68.6
Other	63.6	70.6
	111.3	139.2

12. 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 A/S is part of the consolidated Financial Statements for the ultimate parent company Nassa Topco AS, Haavard Martinsens Vei 54, NO-0978, 0251 Oslo, Norway.

13. Net deferred tax asset/liabilities

	2015	2014
Classified as follows:		
Deferred tax asset	32.2	48.9
Deferred tax liability	-55.1	-25.7
	-22.9	23.2
Net deferred tax asset/liabilities:		
Carrying amount at 1 January	23.2	57.6
Adjustment at 1 January	0.0	-5.0
Change in deferred tax liability	-29.4	-14.0
Change in deferred tax asset	-11.0	-11.8
Change in deferred tax rate Norway	-2.6	0.0
Exchange rate adjustment	-3.1	-3.6
Carrying amount at 31 December	-22.9	23.2
Net deferred tax assets/liabilities relates to:		
Intangible assets	-49.2	-15.5
Property, plant and equipment	24.2	29.7
Receivables	-10.5	-14.2
Inventories	0.0	6.6
Pension liabilities	12.4	16.4
Provisions	0.2	0.2
	-22.9	23.2

14. 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 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 has 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 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.

15. Other provisions

	2015	2014
Provision for warranty claim relating to repair costs and products returned regarding terminals	0.6	1.0
Deferred consideration Signaturgruppen A/S	125.0	0.0
Carrying amount at 31 December	125.6	1.0

16. Deferred income

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

17. Contingent liabilities

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

Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes may entail that the Company's liability will increase/decrease.

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

The Company has entered into leases remaining in force until the end of 2017. Total liabilities amount to DKK 66 million (2014: DKK 99 million) with an average annual payment of DKK 33 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 2014, the outcome of these lawsuits will not further affect the Company's financial position.

Nets A/S is guarantor under the senior facility agreement at Nassa Midco AS and have certain of 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.

18. Related parties

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

19. Events after the balance sheet date

No significant events affecting the annual report for 2014 have occurred subsequent to 31 December 2015. .