Nets Holding A/S

Annual Report 2017

Adopted at the Annual General Meeting
16 March 2018

Chairman of the AGM:

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Louise Rubæk Andersen

Nets Holding A/S
Lautrupbjerg 10
DK-2750 Ballerup
www.nets.eu
CVR no. 27 22 59 93

Key figures

(DKK million)	2017	2016	2015	2014	2013
Income statement					
Revenue	6	5	5	5	464
Operation profit	-16	-153	-73	-185	-75
Profit from subsidiaries after tax	1,398	919	2,934	699	618
Profit/loss from financial income and expenses, net	-17	359	-813	-39	-90
Net profit	1,366	1,117	2,064	491	472
Balance sheet as at 31 December					
Total assets	6,871	5,939	7,070	5,002	6,509
Investment in subsidiaries	6,734	5,714	6,344	4,401	4,209
Equity	2,887	2,711	3,566	2,052	2,153
Financial ratios (%)					
Liquidity ratio	3	7	36	26	68
Solvency ratio	42	46	50	41	33
Return on equity	49	36	73	23	21

Management's Review

Business foundation

The objectives of Nets Holding A/S are, through subsidiaries, 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.

No consolidated financial statements have been prepared for Nets Holding A/S and subsidiaries as the companies are included in the consolidated financial statements of Nets A/S, Lautrupbjerg 10, DK-2750 Ballerup.

Business model

Nets Holding create value through the subsidiaries 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.

Nets invest in, maintain and operate a considerable number of services critical to several national payment infrastructures, such as domestic debit card schemes, clearing systems, e-identity schemes and payment 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 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 via 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 merchants acquiring solutions, point-of-sale terminals and e-commerce directly to the merchants, services delivered to the corporates, such as direct debit and invoicing solutions, are offered in close co-operation with 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.

Financial performance

Net profit for the year was DKK 1,366 million, which is a increase of DKK 249 million compared to 2016. The results are – for both years - affected by financial income of a non-recurring nature linked to Visa transaction. Net profit level was in line with expectations.

Equity amounted to DKK 2,887 million, which is equivalent to a solvency ratio of 42% compared to 46% ultimo 2016. Proposed dividends amounted to DKK 2,500 million. Nets Holding A/S has distributed an extraordinary dividend of DKK 2,280 million in 2017 compared to DKK 1,698 million in 2016.

On 2 November 2015, Visa Inc. and Visa Europa Ltd. (Visa Europa) announced that they had reached an agreement for Visa Inc. to acquire Visa Europe, and the deal closed on 21 June 2016. As part of the sale of the Nets Group in 2014, certain agreements were entered into about the future distribution of the proceeds, given that a sale of Visa Europe would take place.

Corporate social responsibility (CSR)

Statutory statement on CSR in accordance with section 99a of the Danish Financial Statement Act.

For our statement in accordance with section 99a, we refer to the Management Review of the consolidated Annual Report 2017 of Nets A/S.

Statutory statement regarding the underrepresented gender in accordance with section 99b of the Danish Financial Statement Act.

Target for the supreme management body
Since Nets Holding A/S has not obtained equal representation in its supreme management body, the company has set a target for the gender composition of the Board of Directors. The target is to have 2 female Board members among the 5 elected at the annual general assembly no later than 2020. Currently, status is that the BoD has 1 female and 4 male members. The target was not achieved in 2017 since the owners saw no need to make changes to the Board in 2017.

Policy for other management levels
Nets Holding A/S, as part of Nets A/S Group, refer to the Group statement on section 99b in the Management Review of the 2017

Annual Report. With respect to the gender composition of board members elected by the General Assembly as well as 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 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 an important discipline for executive management, business leaders and employees at all levels and has evolved as a discipline throughout 2017 to provide a clear and complete overview of all identified risks in the Group.

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 credit risk, treasury risk, anti-money laundering and competition law compliance.

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

Risk Management facilitates the risk assessment process, provides domain expertise on selected risk areas and ensures that sufficient actions are taken to mitigate risk exposure. All assessments are performed in accordance with the requirements of the Risk Management Policy.

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 segments 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 segments 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 facilitates the risk assessment process, maintains Nets' enterprise-wide risk landscape and ensures that risk mitigation plans are progressing in the business segments and group units.

- **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 the 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.

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 segments and group units in Nets. Top management review the risks and prioritise, approve and follows up on mitigation actions. The mitigation 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), virtual reality and robotics accelerate the development and implementation of new products, services and business models. These digital innovations and business models create new opportunities but could also potentially challenge the Group's existing business.

Industry & market transformation
New technologies (as described above) and regulations as well as new market entrants and/or alliances (as described below) drive an ever-increasing rate of competition and market transformation. Increased requirements from our customers in terms of functionalities, usability and innovation, requires us to remain pro-active, without compromising on our high standards on security

and quality.

E-commerce, mobile commerce and digital products (e.g. app stores, streaming, in-app) are expected to drive much of the new growth as 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 for market participants. GDPR and PSD2 are examples of areas in which Nets must ensure the requirements are being adhered to.

GDPR

As both a processor and controller of personal data, Nets must be able to demonstrate compliance with the requirements in the GDPR. The GDPR regulates the processing of personal data for data subjects within the EU. Before the new regulation enters into effect in May 2018, Nets must have implemented appropriate technical and organisational measures in order to meet the requirements of the GDPR and ensure the protection of the rights of the data subjects.

PSD2

In 2018, PSD2 will come into effect enabling third-party providers to access customers' bank accounts to extract account information and provide payment initiation. This will result in a new set of players coming to the market and increased competition.

Information security

Each day, Nets processes and stores large amounts of data related to the processing of financial transactions between millions of accounts in multiple countries. Due to the high value of such information assets and the systemic importance of our systems to the national financial infrastructures, Nets faces a constant threat from a number of different agents such as hacktivists, organised crime and nation states. Relevant security threats include social engineering such as phishing and spear-phishing, hacking, system malware and ransomware rendering data unreadable.

Stability and operations

Today, Nets operates several services critical to the national financial infrastructures in the Nordic countries, such as domestic debit card schemes, clearing systems, e-identity schemes and payment platforms. As these systems are critical for our customers, government organisations and authorities, stability has a high priority at Nets. Potential risk causes include insufficient application deployment and testing, change implementation issues and errors and Distributed Denial of Service (DDoS) attacks.

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 services, or customers who 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 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.

Merchant credit risk exposure

Nets operates under licenses issued by the major international card schemes. A requirement to get these licenses is to take on the full financial responsibility (risk) for goods or services that are prepaid to the merchant by the cardholder (i.e. the merchant first charges the cardholder and only later delivers the product/service). If the merchant is not able or willing to deliver the prepaid goods or services, the amount paid will be charged-back from Nets by the card issuer. Nets will then rightly claim a refund from the merchant, but if the merchant is insolvent/bankrupt, the loss will be on Nets.

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

Outlook for 2018

Nets' strategy is growth-oriented with an ambition to increase our customer focus, meet target market needs and become more agile. As a consequence, Nets 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.

As a result of these actions and improvements Nets Holding A/S expects a year with solid organic growth in profit from subsidiaries.

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 Holding A/S for the financial year 1 January – 31 December 2017.

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 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

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, 16 March 2018

Executive Board

Klaus Pedersen
CEO

Board of Directors

Bo Nilsson *Chairman*	Klaus Pedersen	Jens Heurlin
Susanne Brønnum-Hyttel	Asger Hattel	

Independent Auditor’s report

To the Shareholder of Nets Holding 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 2017, and of the results of the Company’s operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Nets Holding A/S for the financial year 1 January - 31 December 2017, 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, 16 March 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mikkel Sthyr State Authorised Public Accountant mne26693	Rasmus Friis Jørgensen State Authorised Public Accountant mne28705

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 Holding 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 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.

Income statement

Revenue

Revenue consists of corporate services delivered to group companies.

External costs

External costs comprise administration costs for the year.

Staff costs

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

The share option programme is accounted for on an accrual basis over the vesting period. 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 year-end. Nets A/S recognises the impact of adjustments to estimates, if any, in the income statement and in a corresponding adjustment to equity (change in proceeds) 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 of intangible assets and impairment losses.

Profit from investments in subsidiaries

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

Other intangible assets

Other intangible assets (rights) is measured at cost less accumulated amortisation and is amortised over 5-10 years.

Impairment losses

The carrying amount of intangible assets 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

Investments in subsidiaries 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 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.

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 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.

Visa shares

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

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.

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".

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	2017	2016
1	Revenue	6	5
2	External costs	2	132
3	Staff costs	20	26
	Operating profit	**-16**	**-153**
4	Profit from subsidiaries after tax	1,398	919
4	Fair value adjustment on liability related to Visa shares	-15	426
5	Financial income	83	19
5	Financial expenses	-85	-86
		-17	359
	Profit before tax	**1,365**	**1,125**
6	Tax	-1	8
7	**Net profit the year**	**1,366**	**1,117**

Balance sheet

Notes	Assets DKKm	2017	2016
	Non-current assets		
8	Other intangible assets	1	1
4	Investments in subsidiaries	6,734	5,714
	Total non-current assets	**6,735**	**5,715**
	Current assets:		
	Receivables:		
	Group enterprises	136	118
	Other receivables	0	10
9	Prepayments	0	1
		136	129
	Cash at banks	0	95
	Total current assets	**136**	**224**
	Total assets	**6,871**	**5,939**

Balance sheet

Notes	Liabilities DKKm	2017	2016
10	Equity		
	Share capital	184	184
	Net revaluation according to the equity method	0	198
	Hedges reserves	-15	-15
	Retained earnings	218	2,344
	Proposed dividends	2,500	0
	Total equity	**2,887**	**2,711**
	Non-current liabilities:		
4	Debt on fair value of restricted shares in Visa Inc. held by Nets Oy	0	90
4	Other financial liabilities	21	50
	Total non-current liabilities	**21**	**140**
	Current liabilities:		
	Borrowings	164	0
	Trade payables etc.	3	0
	Group enterprises	3,741	3,032
6	Corporation tax	53	45
11	Other payables	2	11
	Total current liabilities	**3,963**	**3,088**
	Total equity and liabilities	**6,871**	**5,939**

12	Contingent liabilities
13	Related party transactions
14	Collaterals
15	Events after the balance sheet date

Statement of changes in equity

DKKm	Share capital	Net revaluation according to the equity method	Hedges reserves	Retained earnings	Dividends	Total
Equity at 1 January 2016	**184**	**1,511**	**-15**	**1,388**	**498**	**3,566**
Adjustment to opening	-	-	-	10	-	10
Currency translation adjustment etc.	-	-	-	48	-	48
Net loss on cash flow hedges	-	-	-	0	-	0
Received group contribution	-	-	-	713	-	713
Submitted group contribution, net	-	-	-	-611	-	-611
Share-based payments (Employee share bonus)	-	-	-	64	-	64
Extraordinary dividend declared	-	-	-	-1,698	1,698	0
Distributed dividends	-	-	-	-	-2,196	-2,196
Transferred, cf. profit appropriation	-	-1,313	-	2,430	0	1,117
Equity at 1 January 2017	**184**	**198**	**-15**	**2,344**	**0**	**2,711**
Currency translation adjustment etc.	-	-	-	-111	-	-111
Capital contribution	-	-	-	1,176	-	1,176
Received group contribution	-	-	-	12	-	12
Share-based payments	-	-	-	13	-	13
Extraordinary dividend declared	-	-	-	-2,280	2,280	0
Distributed dividends	-	-	-	-	-2,280	-2,280
Transferred, cf. profit appropriation	-	-198	-	-936	2,500	1,366
Equity at 31 December 2017	**184**	**0**	**-15**	**218**	**2,500**	**2,887**

Notes to the Financial Statements

Amounts in DKKm

1. Revenue

	2017	2016
Total revenue are specified as follows:		
Group services (wages, salaries etc.)	6	5
	6	5

2. Fees to statutory auditor as elected by the Annual General Meeting

	2017	2016
Statutory audit	0	1
Other services	0	0
	0	1

3. Staff costs

	2017	2016
Total staff costs are specified as follows:		
Wages and salaries and remuneration	17	20
Pension contributions plans	1	1
Remuneration of the Board of Directors	0	2
Other employee costs	2	3
	20	26
Average number of full-time employees:	7	8
Number of full-time employees year-end:	7	8

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 target of 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 in total including social costs. The shares delivered under the employee share award were covered by issuing bonus shares.

4. Investments in subsidiaries

	2017	2016
Cost at 1 January	3,740	3,758
Additions	1,447	0
Disposals	0	18
Cost at 31 December	5,187	3,740
Value adjustment at 1 January	1,974	2,586
Adjustment to opening	0	10
Dividends received	-1,739	-1,773
Received Group contribution	12	713
Submitted Group contribution, net	0	-611
Share-based payments (Employee share bonus)	13	64
Net profit for the year	1,398	919
Disposals	0	18
Currency translation adjustment	-111	48
Value adjustment at 31 December	1,547	1,974
Carrying amount at 31 December	6,734	5,714
Fair value recognition from business combinations (goodwill)	429	499

	Ownership	Share capital
Nets Denmark A/S, Lautrupbjerg 10, DK-2750 Ballerup	100%	264.5
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	100%	4.0
ITP Baltic SIA, Inzenieru iela 101, Ventspils LV-3601, Latvia	100%	0.02
Nets Finland Oy, Teollisuuskatu 21. FI-0510 Helsinki, Finland	100%	0.1
Nets Sweden AB, Lumaparksvägen 9, S 120 31 Stockholm, Sweden	100%	20.0
Nets Estonia AS, Tartu maantee 63, 10115 Tallinn, Estonia	100%	0.5
Nets Oy, Teollisuuskatu 21, 00510 Helsinki, Finland	100%	6.8
Paytrail Oyj, Lutakonaukio 7, 40100 Jyväskylä, Finland	80%	0.1
Paytrail Technology Oy, Lutakonaukio 7, 40100 Jyväskylä, Finland	80%	0.003
Nassa Bidco AB, Lumaparksvägen 9-11, S 120 31 Stockholm, Sweden	100%	0.05
Nets Spectracard AB, Lumaparksvägen 9-11, S 120 31 Stockholm, Sweden	100%	0.2
DIBS Payment Services AB, Kungsgatan 32, 111 35 Stockholm, Sweden	100%	2.4
DIBS Payment Services A/S, Arne Jacobsen Allé 13, 2300 Copenhagen S, Denmark	100%	1.3
DIBS A/S, Hoffsveien 15, 0275 Oslo, Norway	100%	1.0
DIBS Payment Services i Göteborg AB, Kyrkogatan 25, 411 15 Göteborg, Sweden	100%	0.1
DebiTech AB, Kungsgatan 32, 111 35 Stockholm, Sweden	100%	1.3
VerifyEasy AB, Kungsgatan 32, 111 35 Stockholm, Sweden	100%	0.1
DIBS Payment Services AB (Finland), Henry Fordin katu 5 C, 00510 Helsinki, Finland	100%	0.1

Results 2016	Net profit	Equity
Nets Denmark A/S	1,480.1	4,041.2
Nets DanID A/S	35.6	75.8
Nets Cards Processing A/S	5.8	57.3
Signaturgruppen A/S	15.6	33.3
Storebox ApS	-2.7	7.5
Nets Norge Infrastruktur AS - NOK	25.5	14.0
EDIGard AS - NOK	23.7	46.9
ITP Baltic SIA - EUR	0.02	0.009
Nets Finland Oy - EUR	6.9	7.2
Nets Sweden AB - SEK	23.4	83.6
Nets Estonia AS - EUR	3.6	29.3
Nets Oy - EUR	46.6	106.0
Paytrail Oyj - EUR	2.1	4.2
Paytrail Technology Oy - EUR	-0.001	0.001
Nassa Bidco AB - SEK	13.8	7.0
Nets Spectracard AB - SEK	-0.1	19.2
DIBS Payment Services AB - SEK	7.1	37.4
DIBS Payment Services A/S	-5.0	54.5
DIBS A/S - NOK	6.8	27.0
DIBS Payment Services i Göteborg AB - SEK	1.0	17.9
DebiTech AB - SEK	0.0	2.1
VerifyEasy AB - SEK	0.0	0.1
DIBS Payment Services AB (Finland) - EUR	0.0	0.1

On 2 November 2015, Visa Inc. and Visa Europe Ltd. ('Visa Europe') announced that they had reached an agreement for Visa Inc. to acquire Visa Europe, an association owned and operated by member banks and other payment service providers. On 21 April 2016, Visa Inc. and Visa Europe announced that they had reached a preliminary agreement on revised terms of the transaction, pending the final agreement and regulatory approval. The revised terms consist of total consideration of up to EUR 18.37 billion, net of costs (the 'Visa Transaction'). Visa Inc. agreed to pay up-front consideration of EUR 17.25 billion, consisting of EUR 12.25 billion in cash, and approximately EUR 5 billion in preferred stock, and an additional cash payment of EUR 1.12 billion (including interest) payable on the third anniversary of the closing of the transaction. The Visa transaction was closed on 21 June 2016.

As part of the transaction entered into in 2012 between Nets Holding A/S and Suomen Luottoosuuskunta Cooperative ("SLOK") relating to the acquisition of Luottokunta Oy (now Nets Oy), Nets Holding A/S is obligated to pass on 41 % of the proceeds received from the Visa transaction as a result of the principal member share held by Nets Oy. Furthermore, as part of the transaction entered into between Nassa A/S and 186 banks, including affiliates of Danske Bank A/S and Nordea Bank AB, relating to the acquisition of Nets Holding A/S in 2014, Nassa A/S is obligated to pass on proceeds received from the Visa transaction as a result of the principal member shares held in Nets Oy (remaining proceeds) and Teller A/S, respectively.

In 2016, shares in Visa Europa were converted into cash, restricted shares in Visa Inc. and contingent considerations, where received cash have been partly passed through to the previous owners of Nets Holding A/S (the Danish and Norwegian banks) and Nets Oy and partly used for tax payments related to the gain on the Visa transaction. As of 31 December 2017, not yet passed through cash, preliminary adjusted for related costs, amounts to DKK 194 million.

In 2016, a Finnish ruling has been obtained, which allows payments to the original sellers of Luottokunta Oy to be deducted for Finnish tax purposes. There is no net P&L effect as the tax saving results in a corresponding increase in financial items. The adjustment of prior year amounts to DKK 115 million. Fair value adjustments are based on management's best estimate on received information as at 31 December 2017, although uncertainty exists with regard to the value of preference shares, deferred payments and leakage and transaction costs. Nets is working to mitigate any uncertainties/risks related to the Visa transaction, including requesting binding rulings from the relevant tax authorities on the tax treatment of the pass-through arrangement and refraining from paying out any proceeds before a receipt of binding tax rulings is obtained, and a release has been received from all beneficiaries under the above agreements, primarily SLOK and the Nets Holding A/S sellers, stating that such payment is in full discharge of any obligations.

5. Financial income and financial expenses

	2017	2016
Financial income:		
Group enterprises	27	0
Other interest income	56	19
Total financial income	83	19
Financial expenses:		
Group enterprises	29	19
Interest expenses on bank loans	47	41
Currency translation adjustment, net	4	0
Amortisation of transaction cost	5	24
Total financial expenses	85	84

6. Tax

	2017	2016
Current tax	-1	8
Total	-1	8
Tax payable as at 1 January	45	7
Tax paid for previous year, net	-12	-7
Tax paid on account	-150	-525
Joint taxation	171	562
Tax for the year	-1	8
Tax payable as at 31 December	53	45
Tax is included in the following items:		
Corporate tax	53	45

7. Proposed profit appropriation

	2017	2016
Proposed dividends	2,500	0
Extraordinary dividends declared	2,280	1,698
Net revaluation according to the equity method	-198	-1,313
Retained earnings	-3,216	732
Total appropriation	1,366	1,117

8. Other intangible assets (Rights)

	2017	2016
Accumulated cost as at 1 January	1	1
Cost as at 31 December	1	1
Amortisation as at 1 January	0	0
Amortisation for the year	0	0
Amortisation as at 31 December	0	0
Carrying amount as at 31 December	1	1

9. Prepayments

	2017	2016
Wages, salaries etc.	0	1
	0	1

10. Share capital

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

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

The share capital comprises shares of DKK 1.00 each.

Nets Holding A/S is part of the consolidated Financial Statements for the ultimate parent company of Nets A/S, Lautrupbjerg 10, 2750 Ballerup which is the smallest and largest group the company is part of.

11. Other payables

	2017	2016
Employee costs payable	2	11
	2	11

12. Contingent liabilities

Nets A/S and its Danish subsidiaries are jointly taxed with the Danish companies in the Nets A/S Group. The joint taxation also covers withholding taxes in the form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and individually liable for the joint taxation.

The Company is comprised by a joint registration with other Danish companies (apart from Nets DanID A/S and Nets Cards Processing A/S) 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 not provided any guarantees or other collateral and has not entered into any rental or lease obligations.

13. Related party transactions

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

14. Collaterals

Nets Holding A/S is guarantor under the senior facility agreement at Nassa Topco 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.

15. Events after the balance sheet date

Nets A/S has been taken over by Hellman & Friedman and on that background, the company has been delisted from Nasdaq Copenhagen. For further information please see note 7.5 in the Annual Report for Nets A/S.

No other significant events with effect to the annual report of 2017 have occurred subsequent to 31 December 2017.