Nets Holding A/S

Annual Report 2018

Adopted at the Annual General Meeting
16 May 2019

Chairman of the AGM:

Dorthe Rosenkilde Saunders

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

Key figures

(DKK million)	2018	2017	2016	2015	2014
Income statement					
Revenue	6	6	5	5	5
Operation profit	-7	-16	-153	-73	-185
Profit from subsidiaries after tax	970	1,398	919	2,934	699
Profit/loss from financial income and expenses, net	-33	-17	359	-813	-39
Net profit	945	1,366	1,117	2,064	491
Balance sheet as at 31 December					
Total assets	6,353	6,871	5,939	7,070	5,002
Investment in subsidiaries	5,800	6,734	5,714	6,344	4,401
Equity	1,623	2,887	2,711	3,566	2,052
Financial ratios (%)					
Liquidity ratio	12	3	7	36	26
Solvency ratio	26	42	46	50	41
Return on equity	42	49	36	73	23

Management's Review

Business foundation

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

Business model

Nets Holding creates 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 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 945 million, which is a decrease of DKK 421 million compared to 2017. The decrease is related to net profit from subsidiaries which was below expectations in 2018.

At the end of 2018 equity amounted to DKK 1,623 million including proposed dividend of DKK 400 million. The solvency ratio was 26% compared to 42% at the end of 2017. Nets Holding A/S has distributed dividends of DKK 2,500 million in 2018 compared to DKK 2,280 million in 2017.

Corporate social responsibility (CSR)

Statement regarding Corporate Social Responsibilities in accordance with sec. 99a of the Danish Financial Statements Act.

For an account of our sustainability efforts, cf. sections 99a of the Danish Financial Statements Act, reference is made to the Report on Corporate Social Responsibility 2018 for Nets A/S, Lautrupbjerg 10, 2750 Ballerup, which forms part of this Annual Report 2018 for Nets Holding A/S.

Report on gender composition of management

Statement regarding gender diversity in accordance with sec. 99b of the Danish Financial Statements Act.

The Company strive for a gender balance (40/60) on the Board of Directors within a few years. The target has not yet been reached as, at the end of 2018, all board members were men, since no changes to the Board was made following the 2018 general assembly.

In the financial year the company has less than 50 employees, why the requirements under section 99 b of the Danish Financial Statements Act, concerning reporting on a policy for other management levels do not apply.

Risk management

Risk management is an integral part of our way of doing business at Nets 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.

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 of the Nets Group 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-to-day 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.

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 a merchant and the cardholder is not resolved in favour of the merchant. The transaction is then "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 2019

In 2019, Nets Holding A/S expects a year with slightly increasing profit from subsidiaries and slightly increasing net profit.

Nets Holding A/S will through the subsidiaries continue to streamline operations and processes and invest in innovative solutions with an ambition to create value for customers, partners and shareholders, and deliver on stability, security and integrity.

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 2018, and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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 2018, 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

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 2018.

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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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 May 2019

Executive Board

Klaus Pedersen
CEO

Board of Directors

Bo Nilsson
Chairman

Klaus Pedersen

Janus Hillerup

Frode Åsheim

Thomas Jul Pfeiffer

Ulrik R. Thomsen

Frank A. Olsen

Ove Kolstad

Pål Hauge

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 May 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

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 functional currency is Danish kroner (DKK).

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 Nassa Topco AS, Haavard Martinsens vei 54, NO-0978, 0251 Oslo, Norway.

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 Nassa Topco AS, Haavard Martinsens vei 54, NO-0978, 0251 Oslo, Norway.

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.

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 as follows:

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	2018	2017
1	Revenue	6	6
2	External costs	7	2
3	Staff costs	6	20
	Operating profit	**-7**	**-16**
4	Profit from subsidiaries after tax	970	1,398
	Fair value adjustment on liability related to Visa shares	0	-15
5	Financial income	52	83
5	Financial expenses	-85	-85
		-33	-17
	Profit before tax	**930**	**1,365**
6	Tax	-15	-1
7	**Net profit the year**	**945**	**1,366**

Balance sheet

Notes	Assets DKKm	2018	2017
	Non-current assets		
8	Other intangible assets	1	1
4	Investments in subsidiaries	5,800	6,734
	Total non-current assets	**5,801**	**6,735**
	Current assets:		
	Receivables:		
	Group enterprises	24	136
9	Prepayments	1	0
		25	136
	Cash at banks	527	0
	Total current assets	**552**	**136**
	Total assets	**6,353**	**6,871**

Balance sheet

Notes	Liabilities DKKm	2018	2017
10	Equity		
	Share capital	184	184
	Net revaluation according to the equity method	481	0
	Hedges reserves	-15	-15
	Retained earnings	573	218
	Proposed dividends	400	2,500
	Total equity	**1,623**	**2,887**
	Non-current liabilities:		
	Borrowings	37	0
	Other financial liabilities	21	21
	Total non-current liabilities	**58**	**21**
	Current liabilities:		
	Borrowings	0	164
	Trade payables etc.	0	3
	Group enterprises	4,643	3,741
6	Corporation tax	26	53
11	Other payables	3	2
	Total current liabilities	**4,672**	**3,963**
	Total equity and liabilities	**6,353**	**6,871**

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 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	-
Distributed dividends	-	-	-	-	-2,280	-2,280
Transferred, cf. profit appropriation	-	-198	-	-936	2,500	1,366
Equity at 1 January 2018	**184**	**0**	**-15**	**218**	**2,500**	**2,887**
Adjustment to opening	-	-	-	-88	-	-88
Currency translation adjustment etc.	-	-	-	-59	-	-59
Tax on group contribution	-	-	-	421	-	421
Share-based payments	-	-	-	21	-	21
Actuarial losses related to defined benefit pension plans	-	-	-	-4	-	-4
Distributed dividends	-	-	-	-	-2,500	-2,500
Transferred, cf. profit appropriation	-	481	-	64	400	945
Equity at 31 December 2018	**184**	**481**	**-15**	**573**	**400**	**1,623**

Notes to the Financial Statements

Amounts in DKKm

1. Revenue

	2018	2017
Total revenue is specified as follows:		
Group services (wages, salaries etc.)	6	6
	6	6

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

	2018	2017
Statutory audit	0	0
Other services	0	0
	0	0

3. Staff costs

	2018	2017
Total staff costs are specified as follows:		
Wages and salaries and remuneration	5	17
Pension contributions plans	1	1
Remuneration of the Board of Directors	0	0
Other employee costs	0	2
	6	20
Average number of full-time employees:	6	7
Number of full-time employees year-end:	6	7

Share based payment
In February 2018 Nets A/S, the ultimate parent of Nets Holding A/S, was purchased by a private equity fund. As a consequence of the take-private transaction, a change of control clause was triggered for both the share option programme and the retention programme. For the share option programme, the vesting conditions under the change of control clause is considered fulfilled at maximum and 120% of the share options vested in February 2018. For the retention programme, the change of control clause triggered full pay-out of the programme in February 2018.

Share option programme
A long-term share option programme was established in 2016 in connection with the IPO of the ultimate 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 was subject to fulfilment of certain key financial targets and continued employment at the vesting date. Each option gave right to purchase one existing share in Nets A/S.

Retention programme
In connection with the IPO, a non-recurring share-based retention programme were established for members of the Executive Committee and certain other employees (the "Retention Programme"). Under the Retention Programme, the participants were 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.

4. Investments in subsidiaries

	2018	2017
Cost at 1 January	5,187	3,740
Additions	132	1,447
Cost at 31 December	5,319	5,187
Value adjustment at 1 January	1,547	1,974
Adjustment to opening	-85	0
Dividends	-2,338	-1,739
Received group contribution	0	12
Tax on group contribution, net	421	0
Share-based payments	21	13
Actuarial losses related to defined benefit pension plans	-4	0
Net profit for the year	970	1,398
Adjustment deferred tax	8	0
Currency translation adjustment	-59	-111
Value adjustment at 31 December	481	1,547
Carrying amount at 31 December	5,800	6,734
Fair value recognition from business combinations (goodwill)	359	429

Share capital, net profit and equity in subsidiaries specified below are based on annual reports for 2017 and stated in local currency in million.

	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%	50.2
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%	0.1
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%	3.7
ITP Baltic SIA, Inzenieru iela 101, Ventspils LV-3601, Latvia	100%	0.02
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
Paytrail Oyj, Lutakonaukio 7, 40100 Jyväskylä, Finland	100%	0.1
Paytrail Technology Oy, Lutakonaukio 7, 40100 Jyväskylä, Finland	100%	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%	0.003

Results 2017	Net profit	Equity
Nets Denmark A/S	1,429.0	5,165.0
Nets DanID A/S	33.5	109.3
Nets Cards Processing A/S	8.9	66.2
Signaturgruppen A/S	19.1	52.3
Storebox ApS	-2.5	5.1
Nets Norge Infrastruktur AS	64.3	13.6
EDIGard AS	24.5	47.1
ITP Baltic SIA	0.06	0.08
Nets Sweden AB	82.5	166.1
Nets Estonia AS	3.1	32.5
Paytrail Oyj	2.6	6.8
Paytrail Technology Oy	0.001	0.002
Nassa Bidco AB	0.0	7.0
Nets Spectracard AB	3.7	22.9
DIBS Payment Services AB	14.6	150.7
DIBS Payment Services A/S	4.7	59.1
DIBS A/S	3.6	11.8
DIBS Payment Services i Göteborg AB	1.2	19.3
DebiTech AB	0.0	2.1
VerifyEasy AB	0.0	0.1
DIBS Payment Services AB (Finland)	0.0	0.003

5. Financial income and financial expenses

	2018	2017
Financial income:		
Group enterprises	0	27
Currency translation adjustment, net	19	0
Other interest income	33	56
Total financial income	52	83
Financial expenses:		
Group enterprises	56	29
Interest expenses on bank loans	25	47
Currency translation adjustment, net	0	4
Fees	4	5
Total financial expenses	85	85

6. Tax

	2018	2017
Current tax	-15	-1
Total	-15	-1
Tax payable as at 1 January	53	45
Tax paid for previous year, net	0	-12
Tax paid on account	0	-150
Joint taxation	-12	171
Tax for the year	-13	-1
Tax for previous years	-2	0
Tax payable as at 31 December	26	53
Tax is included in the following items:		
Corporate tax	26	53

7. Proposed profit appropriation

	2018	2017
Proposed dividends	400	2,500
Extraordinary dividends declared	0	2,280
Net revaluation according to the equity method	481	-198
Retained earnings	64	-3,216
Total appropriation	945	1,366

8. Other intangible assets (Rights)

	2018	2017
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

	2018	2017
Wages, salaries etc.	1	0
Total prepayments	1	0

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 parent company of Nassa Topco AS, Haavard Martinsens vei 54, NO-0980 Oslo, Norway which is the smallest group the company is part of. Nets Denmark A/S is also part of the consolidated Financial Statements of Nets A/S, Lautrupbjerg 10, 2750 Ballerup.

11. Other payables

	2018	2017
Employee costs payable	3	2
Total other payables	3	2

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 Nets Holdco 4 ApS and has certain assets, including selected bank accounts, pledged to the lenders. All such arrangements strictly observe applicable laws and regulations. This has no effect on daily business and excludes all settlement assets.

15. Events after the balance sheet date

In June 2018, Nets announced the acquisition of a leading Polish online payment service provider, Dotpay/eCard. Following approvals from the Polish authorities, the merger was completed beginning of January 2019.

In January 2019, Nets announced a continued expansion into Poland through a strategic alliance with Przelewy24, a leading Polish online payment service provider. Nets will attain a majority stake in the consolidated Polish group that will include Dotpay/eCard and Przelewy24. The agreement is subject to customary approvals by the Polish authorities.

No other significant events affecting the annual report for 2018 have occurred subsequently to 31 December 2018.