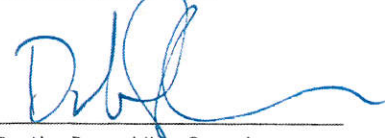


Teller A/S

Annual Report 2016

Adopted at the Annual General Meeting
24 March 2017

Chairman of the AGM:



Dorthe Rosenkilde Saunders

Teller A/S
Lautrupbjerg 10
DK-2750 Ballerup
www.Teller.com
Registration no. 27 22 60 86

Key figures

(DKK million)	2016	2015	2014	2013*	2012*
Income statement					
Revenue	783	659	583	598	637
Profit before depreciation, amortisation and impairment losses	354	158	133	101	118
Operating profit	331	134	108	71	83
Profit/loss from financial income and expenses, net	457	1,548	37	51	259
Net profit for the year	579	1,297	107	91	256
Balance sheet as at 31 December					
Total assets	6,727	7,105	4,980	5,880	5,226
Equity	1,335	1,467	877	863	1,059
Financial ratios (%) - consolidated					
Operating margin	42	20	19	12	13
Liquidity ratio	94	109	119	115	122
Solvency ratio	20	21	18	15	20
Return on equity	41	111	12	9	26

*) Key figures for the years 2013 & 2012 have been restated due to the merger at 1 January 2014 of Teller A/S and Norwegian sister company Teller AS. The restating is completed by using the aggregating method of the companies (proforma).

Management's review

Business foundation The objective of Teller A/S is to operate systems and services in the market for payment cards and payment services, as well as any other business associated with these activities.

2016 highlights Teller A/S' business in Norway and Sweden are carried out through branches which are sales offices.

Teller is the leading Nordic provider of card acquiring and has more than 35 years experience of card payments and is an expert in payments across national borders. Teller serve the merchant customers' businesses with acquiring of the broadest range of payment methods in the Nordic region, including MasterCard, Visa, JCB, American Express, Union Pay and local payment methods. Teller are present across all Nordic and Baltic countries and work with a broad set of value-adding partners across the region.

The transaction volumes saw strong growth across geographies and products. Compared to previous years, Teller experienced stronger growth as a result of the transformation of the business focusing on much improved commercial capability, the launch of competitive new solutions and acquisition of Nordea's merchant acquiring services – now Kortaccept Nordic AB - in December 2015 has been a significant lever for the continued growth, contributing not least to improving our position in Sweden.

Teller manages and simplifies merchants' payments flow. We enable merchants to accept payments, easily and without friction regardless of channels, receive the settlement in their bank account and get detailed reconciliation information and statistics, all in different currencies and frequencies depending on merchant needs and consumer preferences.

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

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

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

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

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

Financial performance 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. The fair value adjustments of the Visa shares is included in net profit for the year with DKK 433 million (in 2015 DKK 1,139 million). The value adjustments of Visa shares in Teller Branch Norway amounted to DKK 185 million and belongs to Teller.

Net profit for the year was DKK 579 million, which is a decrease of DKK 718 million compared to 2015. The results are – for both years - positively affected by financial income of a non-recurring nature linked to Visa transaction. Net profit level was in line with expectations.

Revenue from card acquiring activities increased by 19% compared to 2015 and amounted to DKK 783 million.

External and staff costs decreased by 14% compared to 2015 and amounted to DKK 429 million. Our focus on operating efficiency and cost optimisation remains a persistent part of the strategy. In 2014, the Nets Group initiated a transformation programme, part of which is aimed at improving operating efficiencies across the Nets group.

Processing, service and development have been outsourced to the affiliated company Nets Denmark A/S which is responsible for continuously maintaining and updating operating platforms and

business settlement systems. There will continue to be invested significant resources to optimize operations and processes so Teller can handle increased transaction volumes efficiently in the future

Equity amounted to DKK 1,335 million, which is equivalent to a solvency ratio of 20% compared to 21% ultimo 2015. Proposed dividends amounted to DKK 562 million. Teller has distributed an extraordinary dividend of DKK 698 million in 2016.

The Danish Payment Services Act requires that companies offering acquiring/issuing of payment cards must have authorisation from the Danish Financial Supervisory Authority to operate as a Payment Institution. Teller A/S has been approved as a Payment Institution, and the capital requirement in accordance with the rules of the Danish Financial Supervisory Authority has been calculated at DKK 67 million. Equity at 31 December 2016 amounted to DKK 1,335 million.

Business Strategy

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

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

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

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

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

On top of the strategic growth areas, priority is given to further

enhance the operational efficiency of the group. Additionally, digital innovation is a key focus area as we operate in a rapidly developing sector.

Mobile payments

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

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

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

Outsourcing

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

Value chain expansion

Teller and Nets has an extensive distribution network in the Nordic

region, which will allow us to leverage the roll-out of new products and solutions commercially. In addition, we are driving new opportunities by up-selling and cross-selling products and services across the group. Towards merchants, we see a continued demand for distributing omni-channel solutions that enable merchants to accept payments from their customers via a wide range of payment solutions. Merchants increasingly demand a “one stop” payment provider for all popular payment instruments such as card, invoice, account, e-wallets, etc.

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

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

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

Nordic growth

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

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

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

Corporate social responsibility (CSR)

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

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

Report on gender composition of management

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

Risk management

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

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

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

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

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

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

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

- **First line** – Business units and Group units.
The business and group units perform the day-today risk-bearing activities and are responsible for identifying, assessing and treating risks within those activities. The business units and group units are responsible for compliance with legal, contractual and regulatory requirements.
- **Second line** – Risk management.
The Risk Management function is responsible for defining policies, standards and procedures for risk-based decision-making, internal control and reporting. Risk Management supports the risk assessment process in the business units and group units, maintains the enterprise-wide overview of Nets’ risk landscape, mitigation plans and progress in relation hereto.
- **Third line** – Independent assurance.
The third line is maintained by Nets’ internal and external auditors, providing independent assurance concerning the risk and control functions performed by the first and second lines. Internal Systems Audit coordinates and performs the audit of the general IT controls in Nets, the IT-based user systems and applications and the IT systems offered for exchange of data with the connected data centres and associated financial enterprises. Additionally, the core business processes in Nets and projects, which are important to Nets’ customers or internally within Nets, are audited. As part of the audit completion, the conclusions of each audit are reported to the managers of the activities audited, Executive Management and the Board of Directors.

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

The risks are the result of risk assessments and workshops within

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

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

Technology innovation

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

Industry & market transformation

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

Regulatory environment

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

subject.

PSD2

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

Information security

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

Stability and operations

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

Merchant acquiring

Fraud risk

Nets has a potential financial liability and could also suffer reputational damage for fraudulent digital payment transactions (fraudulent sales of goods and service, or customers that get defrauded). Failure to effectively manage this risk could increase Nets' chargeback liability and lead to fees from international card schemes. A chargeback normally occurs when a dispute between the merchant and the cardholder is not resolved in the favour of the merchant, so the transaction is "charged back" to the merchant and the purchase price is credited or otherwise refunded to the cardholder. If Nets is unable to collect such amounts from

the merchant's account, or if the merchant refuses or is unable to e.g. due to bankruptcy, then Nets will bear the losses. The risk of fraud-related chargebacks is greater in certain industries and especially within e-commerce.

Credit risk exposure

The Group is exposed to the risk of unpaid merchant service charges where a customer ceases to trade. To manage this risk, the Group maintains credit risk exposure in line with approved appetite for risk whilst achieving appropriate risk versus reward performance and ensuring that customers will be able to meet their obligations to the Group.

Third parties

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

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

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

Outlook for 2017

Teller has implemented several initiatives to support the new strategy and is well positioned to take advantage of the expected annual growth of 4% in the Nordic Payment Industry.

Focus areas in 2017 are among other things:

- Value chain expansion by leveraging our extensive distribution network across the Nordic region to roll out new products and solutions commercially.
- Nordic growth, especially in Sweden, by leveraging the large customer base, sales force and referral network that we gained through the Kortaccept acquisition. Additionally also through e.g. investments in stronger outbound sales capabilities.

An increase in net turnover and continued improvement in operating profit are expected in 2017.

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 Teller A/S for the financial year 1 January – 31 December 2016.

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

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

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

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

Ballerup, 24 March 2017

Executive Board



Asger Hattel
CEO

Board of Directors



Bo Nilsson
Chairman



Frode Åsheim



Jens Heurlin

Independent Auditor's Report

To the Shareholder of Teller A/S

Opinion

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

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

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

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

**Management's
Responsibilities for
the Financial
Statements**

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's
Responsibilities for
the Audit of the
Financial Statements**

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

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

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

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 24 March 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Mikkel Sthyr
State Authorised Public Accountant



Rasmus Friis Jørgensen
State Authorised Public Accountant

Accounting policies

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

The accounting policies used are consistent with last year.

Referring to The Danish Financial Statements Act § 112 a consolidated annual report has not been prepared for Teller A/S and the subsidiaries, since these companies are part of the consolidated financial statements for the Group, Nets A/S, Lautrupbjerg 10, DK-2750 Ballerup.

Cash flow statement is not prepared in accordance with the Danish Financial Statements Act § 86 stk. 4, since the company is part of the consolidated financial statements for the Group, Nets A/S, Lautrupbjerg 10, DK-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 reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual 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 the date of payment are recognised in

the income statement as interest income or expense and similar items.

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 interest income or expense and similar items.

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

On recognition of foreign branches which are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Income statement

Revenue

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

Revenue is recognised excl. VAT, taxes and duties and discounts in relation to the sale.

External costs

External costs incurred in generating the revenue for the year comprise IT operation, operating leases of software, external production costs, loss and fraud, development costs, maintenance

and development costs that do not qualify for capitalisation, postage, envelopes and other costs incurred in distributing goods as well as marketing and other sales costs and administration costs and lease agreements.

Staff costs

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

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

Depreciation, amortisation and impairment losses

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

Net profit/loss from investments in subsidiaries

The proportionate share of the net profit/loss of the individual subsidiaries is recognised in the income statement after elimination of intra-group gains/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense and realised and unrealised gains and dividends and losses on transactions denominated in foreign currencies and securities.

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

Balance sheet

Intangible assets

Customer agreements

Customer agreements acquired are measured at historical cost less accumulated amortisation and any impairment loss. Amortisation is calculated using the straight-line method to allocate the cost over estimated useful life, which exceed up to 15 years.

Goodwill

Goodwill represents the value of the current workforce and know-how and also the operational synergies expected from integration within the company. Goodwill is measured at historical cost less accumulated amortisation and any impairment loss. Amortisation is calculated using the straight-line method to allocate the cost over estimated useful life of 5-10 years.

Property, plant and equipment

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

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Fixtures and fittings, tools and equipment	2-5 years.
--------------------------------------------	------------

Gains and losses from the current replacement of property, plant and equipment are recognised as external costs in the income statement.

Impairment losses

The carrying amount of intangible assets as well as property, plant and equipment is tested annually for indications of impairment in excess of the impairment losses indicated in amortisation and depreciation.

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 in accordance with the equity method.

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

Subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the Parent Company's share of the negative net asset value if the amount owed is considered irrecoverable. Where the negative net asset value exceeds the amount owed, the remaining amount is recognised under provisions if the Parent Company has a legal or constructive obligation to cover the enterprise's deficit.

Acquisitions of enterprises, with exception of intra-group restructuring, are accounted for using the purchase 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. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired (goodwill), including decided 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 7 years for customer agreements and 10 years for goodwill.

Any excess of the fair values of the identifiable assets and liabilities 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 may be adjusted up until the end of the year following the acquisition.

Other securities and investments	Equity investments that are recognised in non-current assets are measured at fair value. Equity investments for which a reliable measurement of the fair value cannot be determined are recognised at original cost.
Settlement assets & settlement obligations	Settlement assets and settlement obligations comprise balances with payment card companies primarily clearing transactions and fees that are cleared at the beginning of January with card acquirers and card issuers.
Receivables	Receivables are measured at amortised cost and necessary provisions are made for bad debt losses based on an assessment of the individual receivables.
Prepayments, assets	Prepayments comprise costs incurred, including operating leases concerning subsequent financial years.
Visa shares	Listed shares are measured at the fair value at the balance sheet date.
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.
Provisions	Provisions are measured at net realisable value. Provisions are recognised when, as a result of past events, the company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.
Liabilities	Financial liabilities are measured at amortised cost. Other liabilities are measured at net realisable value.
Deferred income, equity and liabilities	Deferred income comprises payments received concerning income in subsequent years.
Financial ratios	The financial ratios stated in the survey of financial highlights have been calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015":

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
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Liquidity ratio

Current assets x 100

Short-term liabilities

Solvency ratio

Equity x 100

Total assets

Return on equity

Profit for the year x 100

Average equity

Income statement

Note	(DKK million)	2016	2015
1	Revenue	782.5	658.6
	External costs	351.2	419.8
2	Staff costs	77.6	80.7
	Profit before depreciation, amortisation and impairment losses	353.7	158.1
6 & 7	Depreciation, amortisation and impairment losses	22.3	24.0
	Operating profit	331.4	134.1
8	Net profit/loss in subsidiaries	-72.1	-7.4
	Profit before financial income and expenses	259.3	126.7
	Fair value adjustment on Visa shares	502.8	1,460.0
3	Financial income	66.0	114.7
3	Financial expenses	112.1	26.5
		456.7	1,548.2
	Profit before tax	716.0	1,674.9
5	Tax	136.6	377.8
	Net profit for the year	579.4	1,297.1
4	Proposed profit appropriation:		
	Proposed dividends	562.0	0.0
	Extraordinary dividend declared	698.0	0.0
	Retained earnings	-680.6	1,297.1
	Total appropriation	579.4	1,297.1

Balance sheet

Note	Assets	
	2016	2015
	(DKK million)	
	Non-current assets:	
6	Intangible assets:	
	Customer agreements	47.0 57.4
	Goodwill	7.6 18.7
		54.6 76.1
	Property, plant and equipment:	
7	Fixtures and fittings, tools and equipment	0.2 0.6
		0.2 0.6
	Investments:	
8	Investments in subsidiaries	1,604.9 1,709.6
	Deferred tax asset	1.2 0.8
		1,606.1 1,710.4
	Total non-current assets	1,660.9 1,787.1
	Current assets:	
	Receivables:	
11 & 12	Settlement assets	2,187.2 1,864.2
	Fair value of restricted shares in Visa Inc. and contingent consideration held by Teller branch Norway	58.9 0.0
	Fair value of restricted shares in Visa Inc. held by Teller A/S	457.0 1,460.0
	Other financial assets	105.0 0.0
	Sales and services	0.5 7.1
12	Group enterprises	1,056.4 529.9
	Prepayments	2.3 2.5
		3,867.3 3,863.7
	Cash at banks	1,199.2 1,454.4
	Total current assets	5,066.5 5,318.1
	Total assets	6,727.4 7,105.2
	Contingent assets:	None

Balance sheet

Note	Equity and liabilities (DKK million)	2016	2015
9	Equity:		
	Share capital	24.1	24.1
	Retained earnings	748.6	1,442.6
	Dividends	562.0	0.0
	Total equity	1,334.7	1,466.7
	Non-current liabilities:		
	Borrowings	0.0	447.7
10	Deferred tax	7.8	326.6
13	Other liabilities	0.0	1.3
	Total non-current liabilities	7.8	775.6
	Current liabilities:		
	Borrowings	223.6	0.0
	Trade payables etc.	53.1	84.7
	Merchant creditors	1,305.0	1,220.6
	Settlements obligations	2,023.4	2,237.5
12	Group enterprises	1,759.2	1,301.7
	Tax	0.0	0.1
	Other payables	20.4	18.1
14	Deferred income	0.2	0.2
	Total current liabilities	5,384.9	4,862.9
	Total equity and liabilities	6,727.4	7,105.2
	Security:	None	
15	Contingent liabilities		
16	Related party transactions		
17	Events after the balance sheet date		

Statement of changes in equity

(DKK million)	Share capital	Retained earnings	Dividends	Total
Equity as at 1 January 2015	24.1	153.0	700.0	877.1
Currency translation adjustments	0.0	-11.3	0.0	-11.3
Received group contribution	0.0	14.0	0.0	14.0
Submitted group contribution, net	0.0	-10.2	0.0	-10.2
Distributed dividends	0.0	0.0	-700.0	-700.0
Retained earnings, cf. profit appropriation	0.0	1,297.1	0.0	1,297.1
Equity as at 31 January 2016	24.1	1,442.6	0.0	1,466.7
Currency translation adjustments	0.0	-0.9	0.0	-0.9
Received group contribution, net	0.0	17.6	0.0	17.6
Submitted group contribution, net	0.0	-13.2	0.0	-13.2
Submitted group contribution, net	0.0	-19.7	0.0	-19.7
Share-based payments (Employee share bonus)	0.0	2.8	0.0	2.8
Extraordinary dividend declared	0.0	-698.0	698.0	0.0
Distributed dividends	0.0	0.0	-698.0	-698.0
Retained earnings, cf. profit appropriation	0.0	17.4	562.0	579.4
Equity as at 31 December 2016	24.1	748.6	562.0	1,334.7

Notes to the Annual Accounting

(DKK million)

1. Revenue

	<u>2016</u>	<u>2015</u>
Card acquiring in Denmark	536.8	465.0
Card acquiring in Norway	164.2	149.3
Card acquiring other countries	81.6	44.3
	<u>782.5</u>	<u>658.6</u>

2. Staff costs

	<u>2016</u>	<u>2015</u>
Total staff costs are specified as follows:		
Wages and salaries and remuneration	59.7	61.4
Pension contributions	6.3	7.6
Other salary-related costs	11.6	11.7
	<u>77.6</u>	<u>80.7</u>

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

Average number of full-time employees:	80	87
Number of full-time employees year-end:	<u>74</u>	<u>86</u>

Share option programme

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

Retention programme

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

Employee share award

Following the IPO each full-time employee was awarded shares worth DKK 24,900. The consolidated group expense in connection with the employee share award amounted to DKK 64 million (Teller A/S part DKK 2.8 million) in total including social costs. The shares delivered under the employee share award were covered by issuing bonus shares.

3. Financial income and expenses

	<u>2016</u>	<u>2015</u>
Financial income:		
Group enterprise	59.3	62.4
Other interest income	6.7	8.0
Foreign exchange rate gains, net	0.0	44.3
	<u>66.0</u>	<u>114.7</u>
Financial expenses:		
Group enterprise	39.5	19.0
Other interest expenses	14.2	7.5
Foreign exchange rate loss, net	58.4	0.0
	<u>112.1</u>	<u>26.5</u>

4. Proposed profit appropriation

	<u>2016</u>	<u>2015</u>
Proposed dividends	562.0	0.0
Extraordinary dividend declared	698.0	0.0
Retained earnings	-680.6	1,297.1
Total appropriation	579.4	1,297.1

5. Tax

	<u>2016</u>	<u>2015</u>
Joint taxation	451.6	58.2
Change in deferred tax	-318.8	313.1
Change in deferred tax asset	-0.4	0.0
Tax in foreign branches	4.2	6.5
	136.6	377.8

6. Intangible assets

	Customer agreements	Goodwill
Cost as at 1 January	173.8	122.8
Additions	0.0	0.0
Exchange rate adjustments	0.0	6.6
Cost as at 31 December	173.8	129.4
Amortisation as at 1 January	116.4	104.1
Amortisation for the year	10.4	11.8
Exchange rate adjustments	0.0	5.9
Amortisation as at 31 December	126.8	121.8
Carrying amount as at 31 December	47.0	7.6

7. Property, plant and equipment

	Fixtures and fittings, tools and equipment
Cost as at 1 January	2.9
Additions	0.0
Assets disposed of	0.7
Cost as at 31 December	2.2
Amortisation as at 1 January	2.3
Amortisation for the year	0.1
Assets disposed of	0.4
Amortisation as at 31 December	2.0
Carrying amount as at 31 December	0.2

8. Investment in subsidiaries

	2016	2015
Cost as at 1 January	1,717.2	0.2
Additions	0.0	1,717.0
Disposals	0.1	0.0
Cost as at 31 December	1,717.1	1,717.2
Value adjustment as at 1 January	-7.6	-0.2
Exchange rate adjustments	-13.6	-1.9
Group contribution, net	-19.7	0.0
Share-based payments (Employee share bonus)	0.8	0.0
Net profit for the year	-72.1	-5.5
Amortisation as at 31 December	-112.2	-7.6
Carrying amount as at 31 December	1,604.9	1,709.6
Fair value recognition from business combinations (goodwill)	956.6	1,063.9
	<u>Ownership</u>	<u>Share- capital</u>
Kortaccept Nordic AB, Lumaparksvägen 9-11, S 120 31 Stockholm, Sweden - SEK	100%	0.01
Teller Services ApS, Lautrupbjerg 10, DK-2750 Ballerup, Denmark	100%	0.2
Results 2015	<u>Net profit</u>	<u>Equity</u>
Kortaccept Nordic AB (period 28 May 2015 – 31 December 2015)	9.5	377.0
Teller Services ApS	-0.1	0.8

9. Equity

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

The share capital has been increased by DKK 4.0 million in connection with the merger on 1 January 2014 with Norwegian Teller AS. There has not been other changes in last 5 years.

The share capital comprises shares of DKK 1.00 each.

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

10. Deferred tax

	2016	2015
Deferred tax:		
Carrying amount as at 1 January	326.6	13.5
Change of the year	-318.8	313.1
Carrying amount as at 31 December	7,8	326.6

11. Settlement assets

DKK 179.0 million to affiliated licenses (2015: DKK 391.9 million) is offset of the total receivables.

12. Group enterprises

The Company has entered a cash pool arrangement with Nets A/S and related Companies in the Nets A/S Group. The cash pool arrangement amounts to net DKK 919.3 million (2015: DKK 1,265.4 million).

13. Other liabilities

Other liabilities includes provisions for loss and provisions for loss on abuse rising in the financial year where the case was not received by 31 December.

14. Deferred income

Deferred income comprises accrued fees from merchants.

15. 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 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.

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

16. Related party transactions

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

17. Events after the balance sheet date

No significant events with effect to the annual report of 2016 have occurred subsequent to 31 December 2016.