



# **Statement by the Board of Directors of Nets A/S**

concerning the voluntary public offer submitted on  
23 October 2017 by Evergood 5 AS

# Important notice to all shareholders in Nets A/S

*This statement is not directed at shareholders of Nets A/S whose participation in the Offer (as defined below) would require the issuance of an offer document, registration or other activities other than what is required under Danish law. No action has been (or will be) taken other than in Denmark to permit a public offer in any jurisdiction where action would be required for that purpose. The Offer and this statement are not and will not be made, directly or indirectly, to shareholders resident in any jurisdiction in which the submission of the Offer and or this statement or acceptance thereof would contravene the law of such jurisdiction. Accordingly, neither this statement nor any other material regarding the Offer may be distributed in any jurisdiction outside Denmark if such distribution would require any registration, qualification or other requirement in respect of any offer to purchase or sell securities or distribute documents or advertisements in respect thereof. Any person acquiring possession of this statement or any other document referring to the Offer is expected and assumed to obtain on his or her own accord any necessary information on any applicable restrictions and to comply with such restrictions.*

*This statement does not constitute an offer or invitation to purchase or sell any securities in Nets A/S or a solicitation of an offer to buy or sell any securities, pursuant to the Offer or otherwise. The Offer will be made solely by means of an Offer Document (as defined below) approved by the Danish Financial Supervisory Authority, which will contain the full terms and conditions of the Offer, including details of how the Offer may be accepted. Shareholders in Nets A/S are advised to read the Offer Document and the related documents when published as they will contain important information. Any decision as to whether or not to accept the Offer should be made only upon careful review of the Offer Document and this statement thereon by the Board of Directors of Nets A/S prepared in accordance with applicable Danish law, rules and regulations.*

*The Offer will be subject to disclosure requirements under Danish law, which are different from those of the United States. The Offer will be made in the United States pursuant to an exemption from certain US tender offer rules provided by Rule 14d-1(d) under the US Securities Exchange Act of 1934, as amended (the "Exchange Act") and in compliance with Section 14(e) of the Exchange Act. The Offer will be subject to Danish procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under US domestic tender offer procedures and law.*

*It may be difficult for shareholders to enforce their rights and any claim arising out of the US federal securities laws, since the Offeror and Nets A/S are located in a non-US jurisdiction, and some or all of their officers and directors may be residents of a non-US jurisdiction. Shareholders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.*

*The receipt of cash pursuant to the Offer by shareholders who are US taxpayers may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each Shareholder is urged to consult his or her independent professional adviser regarding the tax consequences of the Offer.*

*In accordance with normal Danish practice and pursuant to Rule 14e-5(b) of the Exchange Act, the Offeror or its nominees, or its brokers (acting as agents or in a similar capacity), may from time to time make certain purchases of, or arrangements to purchase, Nets A/S shares outside the United States, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be announced through Nasdaq Copenhagen A/S and relevant electronic media if, and to the extent, such announcement is required under applicable Danish law, rules or regulations.*

*This statement has been prepared in English and has been translated into Danish.*

*This statement contains statements relating to future matters or occurrences, including but not limited to statements on future results, growth or other forecasts on developments and benefits in connection with the Offer. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. The words "may", "will", "should", "expect", "anticipate", "believe", "estimate", "plan", "predict", "intend" or variations of these words, as well as other statements regarding matters that are not historical fact or regarding future events or prospects, constitute forward-looking statements. Nets A/S has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of Nets A/S. Although Nets A/S believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ. Nets A/S undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law, rules and regulations.*

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Statement by the Board of Directors of Nets A/S (the “Board of Directors”) in accordance with section 23 of the Executive Order no. 562 of 2 June 2014 on takeover bids (the “Takeover Order”) regarding the voluntary recommended public offer that has been submitted on 23 October 2017 (the “Offer”) by Evergood 5 AS (the “Offeror”).

# 1 Introduction

## 1.1 The Offer

On 25 September 2017, the Offeror announced its decision to submit a voluntary public offer to the shareholders (the “Shareholders”) of Nets A/S, CVR no. 37 42 74 97 (“Nets” or the “Company”).

The Offeror is a limited liability company incorporated under the laws of Norway registered under company registration no. 918 953 620. The Offeror is a newly formed company controlled indirectly by H&F Corporate Investors VIII Ltd. together with certain of its associated funds and funds invested into by third party syndicatees (excluding for the avoidance of doubt the Co-Investors (as defined in the Offer Document)). Eiffel Investment Pte Ltd (a nominated investment vehicle of GIC Special Investments Pte Ltd who, in turn is a wholly-owned subsidiary of GIC Private Limited), funds managed and/or advised by Advent International Corporation and funds managed and/or advised by Bain Capital Private Equity (Europe) L.L.P (by way of a company to be incorporated and to be indirectly jointly owned by both), Sampo PLC, funds managed and advised by StepStone Group LP and a fund managed by Fisher Lynch Capital LLC will become indirect minority shareholders in the Offeror on completion of the transaction alongside certain other indirect minority co-investors.

The Offer is made on the terms and conditions set forth in the offer document dated 23 October 2017 (the “Offer Document”) prepared by the Offeror and approved by the Danish Financial Supervisory Authority (as published by Nets through the company announcement no. 29/2017 on 23 October 2017).

Pursuant to the Offer Document, the Offeror is offering to acquire all shares of Nets of a nominal value of DKK 1 each (the “Shares”), excluding treasury shares, at an offer price of DKK 165 in cash per Share (the “Offer Price”).

In the event Nets pays dividends (declared as final or otherwise binding on Nets) and/or otherwise makes distributions to its Shareholders in general prior to completion of the Offer, the Offer Price to be paid pursuant to the Offer will be reduced by the amount of such dividend and/or distribution per Share on a DKK-for-DKK basis.

The Offer is made pursuant to an announcement agreement entered into between the Offeror and the Company on 25 September 2017 (the “Announcement Agreement”). The main terms of the Announcement Agreement are described in the Offer Document to which reference is made.

The Offer is subject to certain conditions, as set out below, being satisfied, or (subject to applicable laws, rules and regulations) waived or reduced in scope by the Offeror, as of the expiry of the Offer Period and/or at certain other points in time relevant to the Offer. Conditions to completion of the Offer include (non-exhaustively): (i) unconditional clearance for completion of the Offer having been obtained from the European Commission and any other relevant competition authorities, (ii) the Offeror owning or having received valid acceptances representing in aggregate more than 90% of the share capital of Nets (excluding treasury shares) so as to enable the Offeror to carry out a compulsory redemption of any remaining shareholders, (iii) the Board of Directors not having withdrawn, conditioned or otherwise modified its recommendation to the shareholders to accept the Offer in a manner adverse to the Offer or the Offeror, (iv) Nets’ compliance with certain undertakings made in the Announcement Agreement concerning the ordinary conduct of the business of the Nets group, (v) the absence of any material adverse change concerning Nets, (vi) completion of the Offer not being precluded by any legislation or decision by court or authorities, (vii) no adverse legislation having been adopted and the absence of legal proceedings or decisions likely to prevent the consummation of the Offer and/or the related financing, and (viii) the obtainment of certain approvals and clearances by relevant authorities arising out of Nets’ regulated business. Reference is made to section 6.3 of the Offer Document for a full description of the conditions.

In the Announcement Agreement, the Company has made certain covenants to the Offeror, including covenants regarding conduct of business, non-solicitation and co-operation in relation to satisfaction of conditions.

From the date of the Announcement Agreement until the expiry of the Offer Period, the Company has undertaken not to, and not permit its subsidiaries or its subsidiaries' respective representatives to, directly or indirectly, initiate, solicit, engage in, continue or intentionally encourage any approach from, or discussions or negotiations with, or provide information to, or enter into any agreement or arrangement with, any person other than the Offeror (and/or its representatives) concerning any competing bid or alternative transaction or take any actions that are intended to advance, enter into or complete any competing bid or alternative transaction or which would preclude, contradict or materially restrict or delay the Offer or completion of the Offer. This undertaking is subject to the fiduciary duties of the Board of Directors and its obligations arising out of statutory laws, rules and regulations and shall not prevent the Board of Directors from providing information or engaging in non-binding discussions in respect of any unsolicited approach concerning a bona fide potential superior competing offer.

If the Board of Directors withdraws or adversely amends its recommendation of the Offer, including if the Board of Directors recommends that the Company's shareholders accept a competing offer, or in the event of the Company's breach of its non-solicitation obligation, the Company has undertaken to reimburse reasonable, documented direct and actual external costs and expenses of the Offeror incurred in connection with the making of the Offer, subject to an agreed maximum amount of EUR 15 million.

The Offer is valid as of 23 October 2017 and expires on 18 December 2017 at 16:00 (CET) or at the expiration of any extension of the offer period as decided by the Offeror as set forth in the Offer Document (the "Offer Period").

The Company has been informed that AB Toscana (Luxembourg) Investment S.à r.l. has signed an irrevocable undertaking, subject to certain conditions, to accept the Offer in respect of its Shares, which account for 39.9 per cent of the share capital and voting rights of the Company.

The Company has been informed that GIC Private Limited has signed an irrevocable undertaking, subject to certain conditions, to accept the Offer in respect of its Shares, which account for approximately 2.7 per cent of the share capital and voting rights of the Company.

In addition, the Company has been informed that a Shareholder in Nets has signed a letter of support in which such Shareholder states its current intention to accept the Offer in respect of all its Shares, which account for approximately 3.3 per cent of the share capital and voting rights of the Company.

Each of the current members of the Board of Directors (except James Brocklebank and Robin Marshall due to them not being Shareholders, cf. however clause 5.1), Bo Nilsson and Klaus Pedersen (the "Executive Management") and other members of the Executive Committee<sup>1</sup> (except Thomas Jul due to him not being Shareholder or participant in the Company's share-based Long-Term Incentive Programme ("LTIP") 2016 and 2017 or the Company's 2016 retention bonus program (the "Retention Bonus Program") and including Susanne Brønnum (former member of the Executive Committee)), who, directly or indirectly, hold Shares in the Company, have signed irrevocable undertakings to accept the Offer in respect of their respective Shares and/or any Shares held indirectly, including any such Shares as may be issued upon settlement of the LTIP 2016 and 2017 and/or the Retention Bonus Program (as the case may be), which together account for approximately 3.3 per cent of the share capital and voting rights of the Company (exclusive of any Shares as may be issued upon settlement of the LTIP 2016 and 2017 and/or the Retention Bonus Program). Such members of the Board of Directors, the Executive Management and other such members of the Executive Committee have retained their statutory right of withdrawal pursuant to Section 26(3) of the Takeover Order in the event that a superior competing offer is made to all Shareholders.

Certain members of the Executive Committee have undertaken to the Offeror not to solicit or encourage any approach from any other person relating to certain transactions, it having been agreed that such undertaking shall not prevent the Company from providing information and engaging in non-binding discussions in respect of any unsolicited approach concerning a bona fide potential superior competing offer.

Reference is made to the Offer Document made available at the Offeror's website, [www.hf-n.dk](http://www.hf-n.dk), and a link to the Offer Document on the Offeror's website is also included on the Company's website, [www.investor.nets.eu](http://www.investor.nets.eu).

<sup>1</sup> The Executive Committee consists of the Executive Management (i.e. Bo Nilsson and Klaus Pedersen), Asger Hattel, Frode Åsheim, Pia Jørgensen, Thomas Kolber, Jens Heurlin, Thomas Jul and former member Susanne Brønnum.

## 1.2 Purpose of this statement

According to section 23(1) of the Takeover Order, the board of directors of a listed company which is the subject of a public takeover offer shall draw up and make public a statement setting out the board of directors' opinion of the offer and the reasons on which such opinion is based. The board of directors is to provide its views on the effects of accepting the takeover offer on all the company's interests and on the offeror's strategic plans for the target company and their likely consequences for employment and the location of the company's places of business.

This statement is governed by Danish law.

## 2 Background

### 2.1 Business

Nets is 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 operates a deeply entrenched network which connects merchants, corporate customers, financial institutions 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 provides services for those wanting to receive payments (such as merchants and corporate customers) and those seeking to make payments (such as card issuers and consumers) and, in some instances, Nets also operates the payment scheme that sits between these two groups.

Nets enables digital payments across a range of channels - in person, online, and over a mobile device - and all widely used types including national debit card schemes in Denmark and Norway (i.e. Dankort and BankAxept), international debit/credit card schemes (e.g., Visa and MasterCard), alternative payment methods (e.g., mobile and digital payment acceptance solutions such as apps, wallets, etc.), recurring payment systems, and credit transfers. Nets has been driving innovation across many of these payment types across the Nordic region for nearly 50 years and has been instrumental in creating the modern payment infrastructure seen today.

As such, Nets offers a broad portfolio of solutions to enable card-based payments, account-based payments, clearing, digital identities, security solutions, and other related products and services.

Headquartered in Ballerup, Denmark, Nets operates primarily in the Nordic region where it has a leadership position and has a growing presence in the Baltic countries.

Nets serves its customers through its three customer-facing operating segments:

- Merchant Services provides in-store, online and mobile payment acceptance solutions to more than 300,000 merchants across the Nordic region from large corporate chains to small and medium-sized enterprises ("SMEs") and micro-merchants. Nets serves merchants through a broad set of distribution channels, including partnership relationships such as via bank referrals, value-added resellers and web developers as well as through a direct sales force. The breadth of service, payment type and geographic coverage allows Nets to be a one-stop-shop for merchants in the countries in which Nets operates. For the year ended 31 December 2016, Merchant Services acquired approximately 1.8 billion card transactions from international branded cards with card turnover of DKK 475 billion and comprised 31% of Nets' revenue, and generated EBITDA before special items of DKK 792 million, comprising 30% of Nets' EBITDA before special items.
- Financial & Network Services provides outsourced processing services to more than 240 issuers of payment cards, primarily banks, across the Nordic region as well as complementary services including Card Management Services ("CMS"), fraud and dispute solutions, and mobile wallet technology. The Financial & Network Services segment also processes the national debit card schemes in Denmark and Norway, respectively, Dankort, the national debit card network in Denmark that is owned and operated by Nets, and BankAxept, the national debit card network in Norway that is operated by Nets. For the year ended 31 December 2016, Financial & Network Services processed 5.2 billion transactions and comprised 31% of Nets' revenue, and generated EBITDA before special items of DKK 893 million, comprising 34% of Nets' EBITDA before special items.
- Corporate Services comprises Nets' account-based payments business, and provides the payment platform for recurring payments and credit transfer transactions for more than 240,000 corporate customers primarily in Denmark and Norway. At the centre of this business is the ability to provide seamless and integrated solutions for recurring payments to corporate customers and consumers (e.g., the Danish Betalingsservice and Norwegian AvtaleGiro recurring payments systems). It also includes solutions for real-time clearing and settlement providing instant payments across bank accounts, digital identification solutions ("Digital ID"), and value-added digitisation services. For the year ended 31 December 2016, Corporate Services processed 872 million transactions and comprised 38% of Nets' revenue, and generated EBITDA before special items of DKK 934 million, comprising 36% of Nets' EBITDA before special items.

## 2.2 Strategy

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, the Revised Payment Service Directive ("PSD2") and data analytics. In these areas Nets is focused on driving innovation and continuously bringing new value propositions to the market for the benefit of merchants, corporates, banks and consumers.

The Company focuses on four strategic growth areas:

- **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, Nets plays an important role in enabling the network of different stakeholders whose needs the Company addresses to handle the rising digitisation and the needs it creates. Nets is a natural partner to the financial services industry, with a focus on developing and co-creating own products and platforms. An example of this is Nets' tokenisation services launched in March 2016, which can be an important step towards frictionless connected commerce.
- **Outsourcing:** Nets sees a growing trend in banks outsourcing non-core processes, and Nets is able to assist these with payment-related processes. Nets' platform for CMS has already gained strong traction across card issuers.
- **Value chain expansion:** Nets has an extensive distribution network in the Nordic region, which allows the Company to leverage the roll-out of new products and solutions commercially. In addition, Nets is driving new opportunities by up-selling and cross-selling products and services across the group's business units.
- **Nordic growth:** The Nordic payments market is characterised by continued growth in transactions both in terms of number and total value of transactions. Nets' position in the Nordics has historically been weakest in Sweden, which has been less penetrated compared to the other Nordic countries. The Company is focused on further growth in Sweden, through leveraging the existing customer base, but also through investments made in the e-commerce platform and through stronger outbound sales capabilities.

On top of the strategic growth areas, priority is given to further enhance the operational efficiency of the group.

Nets is well positioned to take advantage of further consolidation, both through acquisitions and divestments.

## 2.3 Financial position

Nets has a well-diversified business model across multiple operating segments, products, customer bases in the Nordic region and an attractive financial profile, with a combination of organic growth, predictable revenue streams, operating leverage and high cash generation.

The Company has a stable and predictable revenue model, with significant repeat business from existing customers and a high customer retention rate. Nets' business model is also resilient to economic cycles and benefits from structural industry trends. Many of the Company's products and services (including, for example, Dankort, the processing of BankAxept transactions and Betalingsservice) have demonstrated continued growth in the number of transactions during economic downturns.

From 2013 to 2016, Nets has seen continued organic net revenue growth reflecting solid underlying volume growth, increased focus on growth, product development and customer retention initiatives, improved sales force effectiveness and new product launches.

Furthermore, Nets has acquired eight businesses since 2014 to facilitate its growth by complementing its existing products and services and addressing opportunities. Nets' business model has significant operating leverage, which, together with a transformation programme has, contributed to an expansion of EBITDA margin before special items from 22.7% in 2013 to 35.5% in 2016. EBITDA before special items increased from DKK 1,525 million for the year ended 31 December 2013 to DKK 2,619 million for the year ended 31 December 2016. The margin expansion primarily resulted from Nets' ability to effectively execute the business model by leveraging Nets' scale and the successful and ongoing execution of the transformation programme.

The business model is also characterised by a resilient cash flow, which, combined with capital expenditure and working capital requirements over which management has a high degree of visibility, results in strong operating cash flow conversion.

The improved financial performance has continued in the first half of 2017 compared to the same period in 2016 with an organic growth in net revenue of 6%, a growth in EBITDA before special items of 9.9% to DKK 1,316 million and a EBITDA before special items margin expansion of 110 basis points to 34.5%.

The development in key financial figures is listed in the table below:

DKKm	2013*	2014*	2015	2016	H1 2016	H1 2017
<b>INCOME STATEMENT</b>						
Revenue, gross	-	-	9,040	10,084	4,942	5,096
Revenue, net	6,727	6,546	6,836	7,385	3,587	3,816
EBITDA b.s.i.	1,525	1,663	2,248	2,619	1,197	1,316
EBITDA	1,324	1,252	1,710	2,013	952	1,192
Special items	(201)	(411)	(538)	(345)	(181)	(110)
Special items - IPO related costs	-	-	-	(261)	(64)	(14)
Adjusted EBIT	1,194	1,365	1,977	2,203	1,002	1,134
EBIT	876	844	812	943	438	688
Net profit	613	652	119	(584)	23	535
Adjusted net profit	935	1,083	778	997	362	742
<b>FINANCIAL POSITION</b>						
Total assets	11,729	11,102	29,558	28,299	29,431	26,779
Goodwill	719	1,318	14,646	14,720	14,772	14,707
Clearing-related balances, net	(1,374)	190	(778)	(658)	(1,082)	(1,060)
Own cash	506	1,919	1,532	703	1,371	97
Net interest-bearing debt	n/a	n/a	13,319	8,503	13,061	8,402
Equity	2,307	2,366	4,980	9,806	5,024	10,078
<b>CASH FLOW</b>						
Net cash from operating activities excl. clearing-related balances	1,056	1,088	1,105	(686)	537	807
Change in clearing related balances	6	(1,564)	989	(120)	304	401
Net cash from investing activities	(150)	120	(2,081)	67	1,707	(625)
Net cash from financing activities	(498)	205	582	212	(447)	(950)
Net cash flow for the period	414	(151)	595	(527)	2,101	(367)
Net change in own cash	408	1,413	(394)	(829)	(161)	(606)
Operating free cash flow	942	1,022	1,235	1,434	534	621
<b>GROWTH IN REVENUE, NET</b>						
Reported	13.0%	-3.0%	4.4%	8.0%	5.7%	6.4%
Organic	n/a	n/a	6%	7%	6%	6%
<b>CAPITAL STRUCTURE</b>						
LTM EBITDA b.s.i.	1,525	1,663	2,248	2,619	2,387	2,738
Net interest-bearing debt / LTM EBITDA b.s.i.	n/a	n/a	4.2x	3.2x	5.5x	3.1x
<b>OTHER RATIOS</b>						
EBITDA b.s.i. margin	22.7%	25.4%	32.9%	35.5%	33.4%	34.5%
EBITDA margin	19.7%	19.1%	25.0%	27.3%	26.5%	31.2%
Capital expenditure/revenue	n/a	n/a	7.9%	9.0%	8.2%	9.3%
Capitalised development costs (EBITDA b.s.i. impact)/revenue	n/a	n/a	3.9%	3.9%	3.9%	4.1%
LTM Cash conversion ratio	n/a	n/a	79%	78%	75%	73%
Equity ratio	20%	21%	16.8%	34.7%	17.1%	37.6%
<b>SHARE INFORMATION</b>						
Number of shares ('000)	-	567	567	200,411	-	200,411
Earnings per share, basic, DKK	-	118	171.1	(3.00)	-	2.66
Earnings per share, diluted, DKK	-	118	171.1	(3.00)	-	2.68
Share price at the end of the period, DKK	-	-	-	123.6	-	129.5
<b>FTE</b>	-	2,618	2,413	2,427	2,464	2,487

\* Figures for Nets Holding A/S Group

## 2.4 Outlook for the financial year 2017 and medium-term guidance

In Nets' company announcement no. 24/2017 (17 August 2017), guidance for the financial year 2017 was reiterated for all parameters except special items, which was changed from DKK 150 million to approx. DKK 200 million. The increase was primarily related to the Company's evaluation of its options in connection with the interest in buying the Company and higher cost related to the transformation of technology. In company announcement no. 26/2017 (25 September 2017), Nets confirmed its guidance as disclosed in company announcement no. 24/2017, except the guidance relating to special items, which was changed from DKK 200 million to approximately DKK 230 million. The increase relates entirely to costs associated with the Offer.

In connection with the initial public offering, Nets provided medium-term guidance. These remain unchanged compared to the expected levels communicated in connection with the initial public offering. The Company's expectations for organic growth is 5-6%, the expected EBITDA before special items margin is high 30's, capital expenditures are expected to be between 6% and 8% of net revenue (exclusive of M&A activities) and the net interest-bearing debt / EBITDA before special items is expected to be between 2.0x and 2.5x (exclusive of M&A activities).

## 2.5 Corporate structure and shareholder base

The Company has a total share capital of DKK 200,411,094, divided into Shares of nominally DKK 1 each.

Nets' shareholder base consists of approximately 15,500 shareholders as per 19 October 2017.

The members of the Board of Directors of Nets hold, directly or indirectly, in aggregate 193,963 Shares, the Executive Management holds, directly or indirectly, in aggregate 3,726,809 Shares and the Executive Committee (excluding Bo Nilsson and Klaus Pedersen due to them being covered by the Executive Management and excluding Thomas Jul, who does not hold any Shares in Nets but including Susanne Brønnum (former member of the Executive Committee)) holds, directly or indirectly, in aggregate 2,714,053 Shares as per 23 October 2017 as further set out in [Appendix 1](#) to this statement.

The Company has been notified that as at 23 October 2017 each of the following holds more than 5 per cent of the Shares and/or the voting rights:

- AB Toscana (Luxembourg) Investment S.à r.l. (39.9%)
- BlackRock Inc. (7.19%)

Reference is made to section 2.7 below regarding certain irrevocable undertakings made by certain Shareholders (including AB Toscana (Luxembourg) Investment S.à r.l.) in respect of the Offer.

As per 23 October 2017, Nets held 1,202,666 treasury shares.

## 2.6 Change of control provisions

Some of the agreements to which Nets is a party contain provisions that will or may take effect in case of a change of control. This includes agreements with customers and suppliers as well as license and partner agreements and financing arrangements, such as the EUR 400,000,000 2.875% senior secured notes due in 2024 issued by Nassa Topco AS and admitted for trading on the Global Exchange Market of the Irish Stock Exchange as well as certain loan facilities agreements. For current Shareholders, change of control provisions in existing agreements to which Nets is a party are relevant primarily if the Offeror completes the Offer without acquiring more than 90% of the outstanding share capital and voting rights in Nets (excluding treasury shares), since in such situations the Offeror will not be able to carry out a compulsory redemption of the remaining Shareholders.

## 2.7 The process leading up to the submission of the Offer

The process leading up to the Offer from the Offeror was initiated following an unsolicited approach to the Board of Directors in June 2017.

On 1 July 2017, in response to speculations in the media, the Company confirmed in its company announcement no. 22/2017, that it had been approached and was reviewing its options and that there could be no certainty as to the potential outcome of the approach.

Following the said announcement, the Board of Directors received multiple non-binding indications of interest. Each indication of interest was carefully assessed based on a number of criteria determined by the Board of Directors. This led to certain parties being provided with access to the Company's management and limited relevant information on the Company in order to perform a confirmatory due diligence review with a view to making binding offers. Discussions were held with multiple parties. The process resulted in a binding and attractive offer from the Offeror.

Throughout the entire process and in the course of rendering this statement, the Board of Directors has also considered other alternatives available to the Company, including other strategic alternatives and a continuation of Nets' current "stand alone" strategy.

On 25 September 2017, Nets and the Offeror entered into the Announcement Agreement according to which the Offeror confirmed and undertook, subject to certain conditions, to make the Offer. Reference is made to section 3.4.2 of the Offer Document for a description of the main terms of the Announcement Agreement.

The Company has been informed that AB Toscana (Luxembourg) Investment S.à r.l has signed an irrevocable undertaking to accept the Offer in respect of its Shares, which account for 39.9 per cent of the share capital and voting rights of the Company (exclusive of any Shares as may be issued upon settlement of the LTIP 2016 and 2017 and/or the Retention Bonus Program). Under the said irrevocable undertaking, AB Toscana (Luxembourg) Investment S.à r.l has retained its right to withdraw its acceptance of the Offer in the event of certain alternative transaction(s) being announced, subject, however, to certain conditions as further set out in the irrevocable undertaking signed by AB Toscana (Luxembourg) Investment S.à r.l., including that in the event of any such defined alternative transaction being announced, if the Offeror has not within ten (10) trading days on Nasdaq Copenhagen after the announcement of such defined alternative transaction improved the terms of the Offer to at least match the terms of such defined alternative transaction. AB Toscana (Luxembourg) Investment S.à r.l shall be entitled to withdraw its acceptance of the Offer upon the expiration of such ten (10) trading days' period.

Subject to the above, pursuant in each case to the terms of the irrevocable undertaking, AB Toscana Investment has undertaken to the Offeror *inter alia* not to (i) sell or otherwise transfer (other than as part of the Offer) or encumber any interest in any of its Shares (other than as described in the Offer Document), (ii) solicit or encourage any approach from any other Person, and, subject to certain exemptions, or (iii) vote in favour of any resolution which is proposed at a general meeting in relation to certain defined alternative transactions.

The Company has been informed that GIC Private Limited has signed an irrevocable undertaking to accept the Offer in respect of its Shares, which account for approximately 2.7 per cent of the share capital and voting rights of the Company (exclusive of any Shares as may be issued upon settlement of the LTIP 2016 and 2017 and/or the Retention Bonus Program). GIC Private Limited has undertaken to the Offeror *inter alia* not to sell or otherwise transfer (other than as part of the Offer) or encumber any interest in any of its Shares. However, under the said irrevocable undertaking, GIC Private Limited has retained its right to withdraw its acceptance of the Offer in the event of certain alternative transaction(s) being announced, subject, however, to certain conditions as further defined in the irrevocable undertaking signed by GIC Private Limited, including that in the event of any such defined alternative transaction being announced, if the Offeror has not within ten (10) trading days on Nasdaq Copenhagen after the announcement of such defined alternative transaction improved the terms of the Offer to at least match the terms of such defined alternative transaction, GIC shall be entitled to withdraw its acceptance of the Offer upon the expiration of such ten (10) trading days' period.

In addition, the Company has been informed that a Shareholder in Nets has signed a letter of support in which such Shareholder states its current intention to accept the Offer in respect of all its Shares, which account for approximately 3.3 per cent of the share capital and voting rights of Nets (exclusive of any Shares as may be issued upon settlement of the LTIP 2016 and 2017 and/or the Retention Bonus Program).

Furthermore, each of the current members of the Board of Directors (except James Brocklebank and Robin Marshall due to them not personally being Shareholders, cf. however clause 5.1) and the Executive Management and other members of the Executive Committee (except Thomas Jul due to him not being Shareholder or participant of the LTIP 2016 and 2017 or the Retention Bonus Program and including Susanne Brønnum (former member of the Executive Committee)), who, directly or indirectly, hold Shares in the Company, have signed irrevocable undertakings to accept the Offer in respect of their respective Shares and/or any Shares held indirectly, including any such Shares as may be issued upon settlement of the LTIP 2016 and 2017 and/or the Retention Bonus Program (as the case may be), which together account for approximately 3.3 per cent of the share capital and voting rights of the Company (exclusive of any Shares as may be issued upon settlement of the LTIP 2016 and 2017 and/or the Retention Bonus Program). Such members of the Board of Directors, the Executive Management and other such members of the Executive Committee have retained their statutory right of withdrawal pursuant to Section 26(3) of the Takeover Order in the event that a superior competing offer is made to all Shareholders.

Funds advised and/or managed by Advent International Corporation and Bain Capital Private Equity (Europe) LLP respectively, have agreed to invest new funds in the Offeror. As a consequence hereof, the funds have agreed to a new investment with a view to acquiring an indirect minority stake amounting to approximately 16% of the share capital of the Offeror on completion of the transaction assuming that the Offeror will acquire all Shares (excluding any treasury shares).

As a consequence of the foregoing, Robin Marshall and James Brocklebank, being members of the Board of Directors nominated by AB Toscana (Luxembourg) Investment S.à r.l., did not participate in the Board of Directors' deliberations relating to, and abstained from voting on the Company's entering into of the Announcement Agreement in respect of the Offer and on all matters concerning this statement by the Board of Directors, including the Board of Directors' recommendation to the Shareholders to accept the Offer.

Nets has been assisted by J.P. Morgan Securities plc ("J.P. Morgan") and Nordea Danmark, filial af Nordea Bank AB (publ), Sverige as its financial advisers and Gorrissen Federspiel Advokatpartnerselskab as its legal advisor in the process leading up to the Offer.

### 3 The Board of Directors' assessment

The Board of Directors has considered a number of factors in relation to the Offer as set out below.

#### 3.1 The Offer Price

The table below shows the Offer Price compared to the market price on Nasdaq Copenhagen A/S ("Nasdaq Copenhagen") during certain historic periods.

Date/Period	Price per share (DKK) <sup>1</sup>	Offer Price premium (%)
Closing price on 30 June 2017 <sup>2</sup>	129.50	27
3-months volume-weighted average share price for the period ending on (and including) 30 June 2017	126.6	30
6-months volume-weighted average share price ending on (and including) 30 June 2017	122.0	35

<sup>1</sup> All share prices are in DKK per Share of a nominal value of DKK 1.

<sup>2</sup> 30 June 2017, was the last trading day on Nasdaq Copenhagen prior to the announcement regarding an unsolicited indication of interest in acquiring Nets.

#### 3.2 Advantages to the Shareholders

The Board of Directors finds that the Offer provides the following advantages to the Shareholders:

- The Offer is only subject to merger clearance, certain regulatory and a limited number of other customary conditions as set forth in the Offer Document.
- The Offer Price is attractive and represents a premium of 35 per cent to the average closing price per Share during the six months up to and including 30 June 2017 which was the last trading day prior to Nets' announcement confirming that the Company had been approached and was reviewing its options. The Offer Price represents a premium of 27 per cent to the closing price per Share on 30 June 2017.
- The Offer Price represents an attractive valuation relative to the current financial performance of Nets.
- The Offer Price represents an attractive value proposition compared to strategic alternatives available to Nets.
- The Offer is not subject to due diligence.
- The Offer Price to the Shareholders is paid in cash (as opposed to securities) and the Offer is fully funded.

#### 3.3 Disadvantages to the Shareholders

The Board of Directors finds that the Offer provides the following disadvantages to the Shareholders:

- After completion of the Offer (including a possible delisting of the Shares from Nasdaq Copenhagen and a compulsory redemption of the remaining Shareholders) no Shareholders will have the opportunity to participate in any future value increase of Nets.
- Shareholders will generally be taxed on the gain realised should they choose to tender their Shares, which may result in advanced taxation. As the tax consequences of accepting the Offer will depend on the individual tax position of each Shareholder, Shareholders are recommended to evaluate their own individual tax position and, if necessary, consult with their own professional advisers.

### **3.4 Effects of the Offer on the Company's interests and strategic plans, including employment**

The Board of Directors and the Offeror have discussed the Offeror's intentions for Nets. In particular, in the opinion of the Board of Directors, the following intentions (as listed in the Offer Document) will have an effect on the Company's interests:

- The purpose of the Offer is for the Offeror to acquire all Shares (excluding treasury shares) and subsequently to seek a delisting of the Shares from Nasdaq Copenhagen.
- The Offeror will aim to further develop Nets as a private company in the best interest of the business, its customers and other stakeholders to ensure it remains at the forefront of innovation and industry leadership.
- The payments industry is evolving quickly driven by changing consumer behaviour, new technologies and regulatory intervention. Furthermore, the industry has recently seen accelerated consolidation with competitors gaining significant scale and expanding their geographical footprint. Payment companies need to invest to remain competitive in this dynamic and fast moving environment.
- The Offeror believes that the Company would be better positioned to react to these developments under private ownership. Furthermore, with the Offeror, Nets will have a growth-oriented partner in place with a long-term perspective and the ability to deploy capital to support strategic initiatives, potential mergers, acquisitions and disposals, and product development.
- The proposed acquisition is a growth investment. The Offeror intends to work with the current management and employees on substantially unchanged terms to further develop Nets' leading platform to ensure it continues to be a front-runner in digital innovation.

The Board of Directors understands that the Offeror following the completion of the Offer may, subject to applicable law, rules and regulations recapitalise and/or change the legal form of Nets or one or more subsidiaries of Nets.

Further, the Board of Directors understands that the Offeror expects after completion of the Offer to propose, vote for, and/or otherwise procure that Nets pays dividend, carries out a capital reduction, or otherwise makes distributions to the Shareholders in general, including the Offeror, in an aggregate amount not exceeding EUR 200 million (or the equivalent amount in DKK) and possibly propose, vote for, and/or otherwise procure that Nets pays dividend, carries out a capital reduction, or otherwise makes distributions in a total amount equivalent to Nets' equity (from time to time), however, subject to applicable statutory minimum requirements.

The Board of Directors is unable to assess whether one or more of the provisions set forth in paragraph 2.6 above would be exercised by Nets' contracting parties in case of a change in control.

### **3.5 The Offeror**

For a description of the Offeror and the indirect co-investors in the Offeror group, reference is made to section 5 of the Offer Document.

## **4 Fairness opinion**

As part of its assessment of the Offer, the Board of Directors has engaged J.P. Morgan as financial advisor and J.P. Morgan has provided the Board of Directors with a fairness opinion in respect of the Offer.

## 5 Disclosure of certain interests

### 5.1 Ownership interests of the Board of Directors and Executive Committee

Each of Robin Marshall and James Brocklebank has through their affiliation with funds advised and/or managed by Advent International Corporation and Bain Capital Private Equity (Europe) LLP, respectively an indirect financial interest in the Offeror.

Except as set out above, neither any member of the Board of Directors nor of the Executive Committee holds, directly or indirectly, any ownership interest in the Offeror-group.

Members of the Board of Directors and the Executive Committee (excluding Thomas Jul due to him not being a Shareholder or participant of the LTIP 2016 and 2017 or the Retention Bonus Program and including Susanne Brønnum (former member of the Executive Committee)) hold Shares and Share options in the Company as set out in [Appendix 1](#) to this statement.

### 5.2 Other incentives related to the Offer for the Board of Directors and Executive Committee

Except as set forth below, neither any member of the Board of Directors nor of the Executive Committee will receive any bonus, payment or compensation as a result of the completion of the Offer.

#### 5.2.1 Lock-up arrangements

Any lock-up arrangements applicable to Shares owned by members of the Board of Directors and the Executive Management that were agreed in connection with the initial public offering of the Company in 2016 ceased to exist with effect from 19 September 2017.

#### 5.2.2 Share options

As of 23 October 2017, Nets has 2,070,271 outstanding Share options granted to members of the Executive Committee (except to Thomas Jul but including Susanne Brønnum (former member of the Executive Committee)) pursuant to the LTIP 2016 and 2017. All Share options (both vested and non-vested) granted pursuant to the LTIP 2016 and 2017 will accelerate and be settled no later than in connection with completion of the Offer.

Share options granted under the LTIP 2016 each has an exercise/subscription price of DKK 165.00 per Share and the Share options granted under the LTIP 2017 each has an exercise/subscription price of DKK 133.20 per Share. At the current Offer Price, the Share options granted under the LTIP 2016 have no value. The Share options granted under the LTIP 2017 have a value equivalent to the difference between the current Offer Price and the exercise price (i.e. DKK 31.80 per Share option).

It has been agreed by the members of the Executive Committee (except Thomas Jul but including Susanne Brønnum) to cash settle any outstanding Share options under the LTIP except for Share options comprised by Section 7P of the Danish Tax Assessment Act.

For a further description of the settlement of the LTIP 2016 and 2017, reference is made to section 3.2.5.1 of the Offer Document.

#### 5.2.3 Retention Bonus Program

Pursuant to the Company's Retention Bonus Program, members of the Executive Committee (except Thomas Jul and Thomas Kolber due to them not participating in the Retention Bonus Program but including Susanne Brønnum (former member of the Executive Committee)) will receive a total bonus amount in the aggregated amount of DKK 47.6 million which will be triggered as a result of the Offer. It has been agreed with the members of the Executive Committee participating in the Retention Bonus Program that any payment due thereunder will be settled in cash and not paid in Shares in the Company.

For a further description of the settlement of the Retention Bonus Program, reference is made to section 3.2.5.2 of the Offer Document.

## 6 Conclusion

Taking into consideration the advantages and disadvantages of the Offer and considering the other matters analysed in this statement, including the Offeror's intentions with regard to the future development of the Nets group and the fairness opinion rendered by J.P. Morgan, the Board of Directors has unanimously (save for James Brocklebank and Robin Marshall as detailed in this statement) decided to recommend the Shareholders to accept the Offer.

Ballerup, 23 October 2017

### **The Board of Directors of Nets A/S:**

Inge K. Hansen  
*Chairman*

Jeff Gravenhorst  
*Deputy Chairman*

Monica Caneman  
*Board Member*

Per-Kristian Halvorsen  
*Board Member*

Ove Kolstad  
*Employee Representative*

Frank Asger Olsen  
*Employee Representative*

Ulrik Røikjær Thomsen  
*Employee Representative*

Robin Marshall and James Brocklebank, being members of the Board of Directors nominated by AB Toscana (Luxembourg) Investment S.à r.l., did not participate in the Board of Directors' deliberations relating to, and abstained from voting on the Company's entering into of the Announcement Agreement and on all matters concerning this statement by the Board of Directors, including the Board of Directors' recommendation to the Shareholders to accept the Offer.

# Appendix 1

## Shares and Share options of the Board of Directors, the Executive Management and the Executive Committee<sup>2</sup> of Nets A/S

The members of the Board of Directors, the Executive Management and other members of the Executive Committee (except Thomas Jul due to him not being Shareholder and including Susanne Brønnum (former of the Executive Committee)) own, directly or indirectly, the following Shares:

Name	Number of Shares held as at the date hereof <sup>3</sup>
<b>Board of Directors</b>	
Inge K. Hansen	41,406
Monica Caneman	41,406
James Brocklebank	0
Robin Marshall	0
Per-Kristian Halvorsen	93,937
Jeff Gravenhorst	16,666
Ove Kolstad	166
Frank Asger Olsen	166
Ulrik Røikjær Thomsen	216
<b>Executive Management</b>	
Bo Nilsson	2,943,051
Klaus Pedersen	783,758
<b>Executive Committee (excluding Executive Management)</b>	
Total Executive Committee	2,714,053
Total Board of Directors, Executive Management and Executive Committee	6,634,825

The Executive Management and other members of the Executive Committee (except Thomas Jul and Thomas Kolber due to them not participating in the LTIP 2016 and including Susanne Brønnum (former of the Executive Committee)) have the following Share options pursuant to the LTIP 2016 that may be converted to Shares unless settled in cash no later than in connection with completion of the Offer:

Name	Number of Share options held as at the date hereof	Time of grant	Exercise price per Share (DKK)
<b>Executive Management</b>			
Bo Nilsson	374,533	23 September 2016	165
Klaus Pedersen	159,176	23 September 2016	165
<b>Executive Committee (excluding Executive Management)</b>			
Total Executive Committee	453,117	23 September 2016	165
Total Executive Management and Executive Committee	986,826		

<sup>2</sup> The Executive Committee consists of the Executive Management (i.e. Bo Nilsson and Klaus Pedersen), Asger Hattel, Frode Åsheim, Pia Jørgensen, Thomas Kolber, Jens Heurlin, Thomas Jul and former member Susanne Brønnum.

<sup>3</sup> Shares held either personally and/or through holding companies

The Executive Management and other members of the Executive Committee (except Thomas Jul due to him not participating in the LTIP 2017 and including Susanne Brønnum (former of the Executive Committee)) have the following Share options pursuant to the LTIP 2017 that may be converted to Shares unless settled in cash no later than in connection with completion of the Offer:

<b>Name</b>	<b>Number of Share options held as at the date hereof</b>	<b>Time of grant</b>	<b>Exercise price per Share (DKK)</b>
<b>Executive Management</b>			
Bo Nilsson	384,079	28 February 2017	133.20
Klaus Pedersen	163,233	28 February 2017	133.20
<b>Executive Committee (excluding Executive Management)</b>			
Total Executive Committee	536,133	28 February 2017	133.20
Total Executive Management and Executive Committee	1,083,445		

The Executive Management and other members of the Executive Committee (except Thomas Jul and Thomas Kolber due to them not participating in the Retention Bonus Program and including Susanne Brønnum (former of the Executive Committee)) will receive the following bonus amount to be settled in cash upon acceleration under the Retention Bonus Program no later than in connection with completion of the Offer:

<b>Name</b>	<b>Retention bonus amount (DKK)</b>	<b>Time of grant</b>
<b>Executive Management</b>		
Bo Nilsson	14,000,000	23 September 2016
Klaus Pedersen	7,000,000	23 September 2016
<b>Executive Committee (excluding Executive Management)</b>		
Total Executive Committee	26,568,000	23 September 2016
Total Executive Management and Executive Committee	47,568,000	