



HI3G Denmark ApS

CVR-nr. 26 12 34 45

Annual Report for 2019

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 17 April 2020

Chairman

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Management's Statement on the Annual Report

The Executive Board and Board of Directors have today considered and adopted the Annual Report of HI3G Denmark ApS (the "Company") for the financial year 1 January - 31 December 2019.

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

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for 2019.

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

Copenhagen, 17 April 2020

Executive Board

Morten Christiansen

Birgitte Lund

Board of Directors

Kin Ning Canning Fok
Chairman

Ulf Christian Cederholm

Frank John Sixt

Erling Lennart Johansson

Christian Nicolas Roger Salbaing Carl Peder Ramel

Morten Christiansen

Independent Auditor's Report

To the Shareholder of HI3G Denmark ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of HI3G Denmark ApS for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, statement of cash flows 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.

Copenhagen, 17 April 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR-no. 33 77 12 31

Ulrik Ræbild
State Authorised Public Accountant
mne33262

Lone Vindbjerg Larsen
State Authorised Public Accountant
mne34548

Company Information

The Company

HI3G DENMARK ApS
Scandiagade 8
DK-2450 København SV

Telephone: +45 33 33 01 35

Website: www.3.dk

CVR no: 26 12 34 45

Financial year: 1 January - 31 December

Municipality of
reg. office: Copenhagen

Board of Directors

Kin Ning Canning Fok, Chairman
Ulf Christian Cederholm
Frank John Sixt
Erling Lennart Johansson
Carl Peder Ramel
Christian Nicolas Roger Salbaing
Morten Christiansen
Adine Charlotte Grate-Axén (resigned on 13 November 2019)

Executive Board

Morten Christiansen
Birgitte Lund

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Financial Highlights

The development of the Company is described by the following financial highlights:

	2019	2018	2017	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statement					
Revenue	2 736 041	2 707 518	2 865 456	3 202 894	2 867 310
Gross profit	1 640 691	1 604 842	1 564 695	1 574 036	1 500 958
Operating profit	400 260	335 569	44 206	430 163	388 692
Net financial items	(21 854)	(24 420)	(30 059)	(28 388)	(42 486)
Profit before income taxes	378 406	311 149	14 147	401 775	346 206
Income taxes	(83 109)	(82 910)	(3 193)	(71 585)	(75 769)
Profit for the year	295 297	228 239	10 954	330 190	270 437
Balance sheet					
Investment in tangible fixed assets	194 211	207 379	184 646	192 769	145 544
Balance sheet total	4 658 230	4 278 061	4 376 683	4 313 003	4 081 638
Equity	3 625 136	3 472 839	3 217 804	3 206 850	2 876 660
Average number of employees	667	669	669	649	685
Ratios					
Return on total assets	9%	8%	1%	10%	10%
Solvency ratio	78%	81%	74%	74%	70%

For definitions, see accounting policies.

Management's Review

Comments from Morten Christiansen, CEO

During 2019, we managed to grow our customer base by 7%, thus ending the year with 1,423,417 customers. Latest market share statistics from first half of 2019 show that 3 grew its market share to 17.5% in voice and mobile data and the Company continues to maintain a strong position in mobile data in Denmark with 23% of all mobile data traffic.

In the beginning of 2019, 3 launched 'Internet to the Home', a mobile broadband subscription, which is a low-cost and easy alternative to wired connections. A more powerful variant was later launched including the use of outdoor antennas, which enabled us to attract customers in areas where it has been impossible to set up mobile masts. Both broadband products have been a success among existing customers and have largely helped drive growth of our customer base.

Furthermore, our market leading '3LikeHome' offer continues to be an important driver for base growth. In 2019, we expanded "3LikeHome" with Vietnam, South Korea, Malaysia, Taiwan and Israel. In January 2020, we added UAE/Dubai, an area which has been in high demand by our customers.

In 2019, we continued our focus to reduce and eliminate causes why customers should decide to leave 3 and I am proud to say that we have succeeded greatly as a historically low proportion of customers leave our Company.

Gross profit increased from mDKK 1,605 in 2018 to mDKK 1,641 in 2019 which corresponds to a 2% growth. This is in line with our expectations, which was a gross profit between mDKK 1,550-1,750. Back in 2018, our external expenses were impacted by one-offs (mDKK 68). Adjusted for this we have - as previous years - managed to keep costs at a flat level thanks to our never-ending focus on driving an efficient business.

Network

In order to expand and enhance our network and customer experience, we invested mDKK 182 in the network in 2019 (2018: mDKK 196), which corresponds to an investment rate of 5%.

We finalised our 4G+ roll out and utilised all acquired spectrum from the last 1800MHz auction to ensure capacity for our customers' increased data usage. During previous years, we have also increased our number of sites.

First NB-IOT sites have been deployed, for the use of IOT, which is increasingly demanded by our customers.

In 2019, we entered into a 4G roaming contract to improve customer experience.

We almost finalised the fulfilment of government coverage requirements from the 1,800MHz spectrum auction.

Future development

In 2020, we will continue our focus to improve customer experience by:

- Seeking to remove the very last reasons for customers deciding to leave 3. Primarily, by focusing on the onboarding part of the customer's journey at 3
- Continuing to expand '3LikeHome'. We have already included Dubai in January 2020
- Improving area coverage and indoor coverage with new low band frequencies
- Testing 5G in Q1
- Deploying NB-IOT further in the existing network for IOT
- Introducing 5G in the network using newly acquired 700MHz with deployment of the new 5G radio equipment

In 2020, we will form a new business unit dedicated to focus on telecom infrastructure by way of a demerger of the Company's passive infrastructure assets and transfer of involved employees.

Our expectation for 2020, before a potential demerger of passive infrastructure assets, is a gross profit between mDKK 1,600 and 1,800.

Financing

In the past years, the Company did not require any further financing as its activities have generated sufficient cash from operations and contributed substantially to the repayment of the shareholder loan relating to the Scandinavian Group. This year we have repaid the shareholder loan and made an extraordinary dividend of mDKK 143.

Statutory Report on Social Responsibility and Gender Composition in Management, cf. Section 99a and 99b respectively of the Danish Financial Statements Act

In accordance with the policies, the Company works actively with a range of sustainability areas - in particular with the environment and human rights. More information is available in the 3 Denmark CSR-report 2019 here:

https://www.3.dk/globalassets/om-3/om-virksomheden/csr-rapporter/3_csr_rapport-2019_eng.pdf

and in the Gender Composition report 2019 here:

https://www.3.dk/globalassets/om-3/om-virksomheden/csr-rapporter/3_2019_report_on_the_gender-based_composition_of_the_executive_management_cf_99b_of_the_danish_financial_statements_act.pdf

Significant events after the year-end

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country and the globe. Management is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Company. Given the dynamic nature of the COVID-19 outbreak, it is still too early to provide a reasonable estimate of its impacts on the Company's financial position, cash flows and operating results at the date on which this set of financial statements are authorized for issue.

Accounting Policies

Basis of Preparation

The Annual Report of HI3G Denmark ApS for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied are unchanged from previous year.

All accounting figures in this report are stated in thousands DKK.

Recognition and measurement

The Financial Statements have been prepared on the historical cost basis.

Revenues are recognised in the income statement as earned, which includes recognition of value adjustments of financial assets and liabilities measured at fair value or amortised cost. Furthermore, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changes in accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated during the year at the exchange rates ruling at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates ruling at the balance sheet date. Any differences between the exchange rates ruling at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Income Statement

Revenue

Revenue is recognised exclusive of VAT and net of discounts directly relating to sales.

The major sources of income are recognised in the income statement as follows:

- Income from telephone related services is recognised at the time of consumption.
- Subscription income is recognised over the duration of the subscription.
- Income from sale of equipment is recognised at the date of delivery.

Cost of sales

Cost of sales comprises expenses directly related to the revenue, including direct costs related to the establishment of customer relations.

External expenses

External expenses comprises indirect production costs and expenses for premises, sales and distribution as well as office expenses and similar costs.

Staff costs

Staff costs comprises wages and salaries as well as payroll expenses.

Other income

Other income comprises items of a secondary nature in relation to the Company's principal activity.

Depreciation and amortisation

Depreciation and amortisation comprise depreciation and amortisation of tangible and intangible fixed assets as well as gains and losses from disposal of fixed assets.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, as well as extra payments and repayment under the on-account taxation scheme.

Income taxes

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity entries is recognised directly in equity.

The Company is jointly taxed with Danish group companies. The tax effect of the joint taxation with the companies is allocated to companies showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance Sheet**Intangible fixed assets*****Development projects***

Costs of development projects comprise expenses directly or indirectly attributable to the Company's development activities, including the cost of related software licences.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development projects are measured at the lower of cost less accumulated amortisation and the recoverable amount.

Capitalised development projects, including the costs of software licences, are amortised on a straight-line basis over the expected useful life, normally 5 years.

Licences and similar rights

Licences and similar rights to software are measured at the lower of cost less accumulated amortisation and value in use.

Interest expenses on loans for financing the acquisition of intangible fixed assets are capitalised at cost until commercial launch. All indirectly attributable loan expenses are recognised in the income statement.

Licences are amortised over the license period up to 20 years from commercial launch. Amortisation commences in connection with the commercial use of the Company's products.

Rental rights

Rental rights are measured at cost less accumulated amortisation.

Rental rights are amortised on a straight-line basis over the expected useful life, normally 5 years.

Contract assets

Contract assets are measured at cost less accumulated amortisation.

Contract assets are amortised on a straight-line basis over the expected lifetime of the contract, not exceeding 5 years.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour and materials.

Interest expenses on the financing of tangible fixed assets are capitalised at cost until commercial launch. All indirectly attributable loan expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual values is calculated on a straight line basis over the expected useful lives of the assets on the basis of the date on which the assets are put into use. These depreciation periods are as follows:

Network infrastructure	5/20/40 years
Equipment	3/5 years
Leasehold improvements	3/5 years

The useful lives and residual values of the assets are reassessed on a yearly basis.

Gains and losses on retirements and disposals of tangible fixed assets are included in other income or expenses in the income statement.

Investments in joint ventures

Investments in joint ventures are measured at cost and reported in the balance sheet as financial assets.

The item “Income from investment in joint ventures” in the income statement includes dividends received from investments in joint ventures in the financial year when the dividends are distributed.

Where cost exceeds the recoverable amount, the carrying amount is written down to the recoverable amount.

Impairment of fixed assets

The carrying amounts of both intangible and tangible fixed assets are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, the asset is written down to its recoverable amount. The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Assets for which a value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Inventories

Inventories are valued at the lower of net realisable value or the weighted average cost. Net realisable value is the estimated selling price less cost to sell.

Receivables

Receivables are recognised in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Deferred tax

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity. Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to materialise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Prepayments

Prepayments include expenses incurred in respect of subsequent financial years, including fair value adjustments of derivative financial instruments with a positive fair value, prepaid expenses concerning rent, insurance premiums, subscriptions, interest and similar items.

Equity

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Financial liabilities

Debts are measured at amortised cost, substantially corresponding to nominal value.

Statement of cash flow

The statement of cash flow shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less trade and other payables, deferred income and short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of tangible and intangible fixed assets as well as financial asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholder. Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Ratios

The financial ratios have been calculated as follows:

$$\begin{array}{l} \text{Return on total assets} \\ \text{Solvency ratio} \end{array} = \frac{\text{Operating profit} \times 100}{\text{Total assets}} = \frac{\text{Equity at year end} \times 100}{\text{Total assets}}$$

Income Statement 1 January – 31 December

	Note	2019	2018
		DKK '000	DKK '000
Revenue	2	2 736 041	2 707 518
Cost of sales		(1 095 350)	(1 102 676)
Gross profit		1 640 691	1 604 842
External expenses	3	(590 570)	(659 023)
Staff costs	4	(305 255)	(307 603)
Other income		9 962	11 217
Operating profit before depreciations and amortisation		754 828	649 433
Depreciation and amortisation	5	(354 568)	(313 864)
Operating profit		400 260	335 569
Income from investment in joint ventures		1 000	100
Financial income	6	1	679
Financial expenses	7	(22 855)	(25 199)
Profit before income taxes		378 406	311 149
Income taxes	11	(83 109)	(82 910)
Profit for the year		295 297	228 239

Balance Sheet at 31 December

	Note	2019	2018
Assets		DKK '000	DKK '000
Completed development projects		35 790	27 266
Development projects under construction		22 586	24 653
License and similar rights		861 429	462 600
Rental rights		215	334
Contract assets		59 765	50 539
Intangible fixed assets	8	979 785	565 392
Network infrastructure		2 307 976	2 285 023
Equipment		19 419	17 787
Leasehold improvements		5 434	5 126
Assets under construction		176 821	192 804
Tangible fixed assets	9	2 509 650	2 500 740
Investment in joint ventures	10	11 499	11 499
Deposits		39 406	41 695
Financial asset investments		50 905	53 194
Fixed assets		3 540 340	3 119 326
Inventories		78 644	56 078
Trade receivables		317 727	318 996
Receivables from group enterprises		141 442	154 600
Other receivables		74 338	72 602
Deferred tax assets	11	394 140	463 986
Prepayments		6 027	4 007
Receivables		933 674	1 014 191
Cash at bank and in hand	12	105 572	88 466
Current assets		1 117 890	1 158 735
Assets		4 658 230	4 278 061

Balance Sheet at 31 December

	Note	2019	2018
		DKK '000	DKK '000
Liabilities and equity			
Share capital	13	64 375	64 375
Reserve for development costs capitalised		58 376	51 919
Retained earnings		3 502 385	3 356 545
Equity		3 625 136	3 472 839
Other provisions	14	1 122	1 055
Provisions		1 122	1 055
Long-term debt	15	502 894	144 376
Long-term liabilities		502 894	144 376
Current part of long-term debt		78 539	30 016
Trade payables		322 936	324 808
Payables to group enterprises		22 978	211 822
Tax payable		11 713	7 895
Other payables		92 912	85 250
Current liabilities		529 078	659 791
Liabilities		1 031 972	804 167
Liabilities and equity		4 658 230	4 278 061

Other notes

Events after the balance sheet date	1
Adjustment for non-cash items	16
Change in working capital	17
Contractual obligations	18
Contingent assets and liabilities	19
Related parties	20
Distribution of profit	21

Statement of changes in equity

	Share capital	Reserve for development costs capitalised	Retained earnings	Total
	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January 2019	64 375	51 919	3 356 545	3 472 839
Extraordinary dividend paid out in the year	0	0	(143 000)	(143 000)
Net profit for the year	0	6 457	288 840	295 297
Equity at 31 December 2019	64 375	58 376	3 502 385	3 625 136
Equity at 1 January 2018	64 375	44 033	3 109 396	3 217 804
Change in accounting policies	0	0	26 796	26 796
Net profit for the year	0	7 886	220 353	228 239
Equity at 31 December 2018	64 375	51 919	3 356 545	3 472 839

Statement of cash flows

	Notes	2019	2018
		DKK '000	DKK '000
Profit for the year		295 297	228 239
Adjustment for non-cash items	16	459 530	421 196
Change in working capital	17	(6 037)	4 747
Financial income		1	679
Financial expenses		(22 855)	(25 199)
Income tax paid		(9 445)	(2 422)
Cash flow from operating activities		716 491	627 240
Investments in intangible assets		(583 660)	(72 163)
Investments in property, plant and equipment		(194 211)	(207 379)
Net investment in joint ventures and other financial assets		3 289	(2 040)
Cash flow from investing activities		(774 582)	(281 582)
Repayment of loans to group enterprises		(188 844)	(292 997)
Repayment of loans		(28 144)	(28 066)
Proceeds from loans		435 185	0
Dividend paid to shareholder		(143 000)	0
Cash flow from financing activities		75 197	(321 063)
Total cash flow		17 106	24 595
Cash and cash equivalents at 1 January		88 466	63 871
Cash and cash equivalents at 31 December		105 572	88 466

Notes to the Financial Statements

1 Events after the balance sheet date

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country and the globe. Management is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Company. Given the dynamic nature of the COVID-19 outbreak, it is still too early to provide a reasonable estimate of its impacts on the Company's financial position, cash flows and operating results at the date on which this set of financial statements are authorized for issue.

2 Revenue

All activities are limited to the Danish market. The internal reporting does not segregate revenue in underlying segments or geographic areas.

	2019	2018
	DKK '000	DKK '000
3 External expenses		
<i>Fees to auditor elected by the Annual General Meeting</i>		
Audit fee	1 042	1 012
Other assurance services	0	0
Tax advisory services	202	3 368
Other services	108	10 151
	1 352	14 531
4 Staff costs		
Wages and salaries	306 030	301 778
Pensions	25 173	24 422
Other social security expenses	4 833	4 103
	336 036	330 303
Of which capitalised	(30 781)	(22 700)
	305 255	307 603
Of this remuneration to Executive Board and Board of Directors:		
Salaries, bonus and pensions	25 397	21 900
	25 397	21 900
With reference to §98b (3),(i), of the Danish Financial Statements Act, remuneration to the Executive Board and Board of Directors is disclosed aggregated		
Average number of employees	667	669

	2019	2018
	DKK '000	DKK '000
5 Depreciation and amortisation of tangible and intangible fixed assets		
Completed development projects	14 412	9 845
Licenses and similar rights	86 525	86 483
Rental rights	120	389
Contract assets	68 210	37 946
Network infrastructure	175 439	171 460
Equipment	8 380	6 900
Leasehold improvements	1 482	841
	354 568	313 864
6 Financial Income		
Exchange rate adjustments	0	485
Other financial income	1	194
	1	679
7 Financial expenses		
Interest paid to group enterprises	817	4 937
Exchange rate adjustments	443	0
Other financial expenses	21 595	20 262
	22 855	25 199

8 Intangible fixed assets

	Completed development projects	Development projects under construction
	DKK '000	DKK '000
Cost at 1 January 2019	350 888	24 653
Additions for the year	0	20 869
Disposal for the year	(259 143)	0
Transfers for the year	22 936	(22 936)
Cost at 31 December 2019	<u>114 681</u>	<u>22 586</u>
Amortisation at 1 January 2019	323 622	0
Amortisation for the year	14 412	0
Disposals for the year	(259 143)	0
Amortisation at 31 December 2019	<u>78 891</u>	<u>0</u>
Carrying amount 31 December 2019	<u>35 790</u>	<u>22 586</u>

8 Intangible fixed assets (continued)

	Rental rights	Licences and similar rights
	DKK '000	DKK '000
Cost at 1 January 2019	29 232	1 184 247
Additions for the year	1	485 354
Disposals for the year	(3 580)	(4 320)
Transfers for the year	0	0
Cost at 31 December 2019	<u>25 653</u>	<u>1 665 281</u>
Amortisation at 1 January 2019	28 898	721 647
Amortisation for the year	120	86 525
Disposals for the year	(3 580)	(4 320)
Amortisation at 31 December 2019	<u>25 438</u>	<u>803 852</u>
Carrying amount 31 December 2019	<u>215</u>	<u>861 429</u>
		<u>Contract assets</u>
		DKK '000
Cost at 1 January 2019		85 845
Additions for the year		77 436
Disposals for the year		0
Transfers for the year		0
Cost at 31 December 2019		<u>163 281</u>
Amortisation at 1 January 2019		35 306
Amortisation for the year		68 210
Disposals for the year		0
Amortisation at 31 December 2019		<u>103 516</u>
Carrying amount 31 December 2019		<u>59 765</u>

9 Tangible fixed assets

	Network infrastructure	Assets under construction
	DKK '000	DKK '000
Cost at 1 January 2019	3 971 530	192 804
Additions for the year	0	182 409
Disposals for the year	0	0
Transfers for the year	198 392	(198 392)
Cost at 31 December 2019	<u>4 169 922</u>	<u>176 821</u>
Depreciation at 1 January 2019	1 686 507	0
Depreciation for the year	175 439	0
Disposals for the year	0	0
Depreciation at 31 December 2019	<u>1 861 946</u>	<u>0</u>
Carrying amount 31 December 2019	<u>2 307 976</u>	<u>176 821</u>
	Equipment	Leasehold improvements
	DKK '000	DKK '000
Cost at 1 January 2019	77 418	34 692
Additions for the year	10 012	1 790
Disposals for the year	(24 526)	(4 722)
Reclassifications	0	0
Cost at 31 December 2019	<u>62 904</u>	<u>31 760</u>
Depreciation at 1 January 2019	59 631	29 566
Depreciation for the year	8 380	1 482
Disposals for the year	(24 526)	(4 722)
Depreciation at 31 December 2019	<u>43 485</u>	<u>26 326</u>
Carrying amount 31 December 2019	<u>19 419</u>	<u>5 434</u>

	2019	2018
	DKK '000	DKK '000
10 Investment in joint ventures		
Cost at 1 January	18 691	18 691
Additions for the year	0	0
Disposals for the year	0	0
Cost at 31 December	<u>18 691</u>	<u>18 691</u>
Revaluations at 1 January	(7 192)	(7 192)
Adjustments for the year	0	0
Revaluations at 31 December	<u>(7 192)</u>	<u>(7 192)</u>
Carrying amount 31 December 2019	<u>11 499</u>	<u>11 499</u>

Investment in joint ventures is specified as follows:

Name	Registered office	Equity	Votes and ownership	Net result
		DKK '000		DKK '000
4T af 1. oktober 2012 ApS	Copenhagen Denmark	13 405	25%	89
OCH A/S	Copenhagen Denmark	1 946	25%	613

	2019	2018
	DKK '000	DKK '000
11 Deferred tax assets		
Deferred tax 1 January	463 986	545 285
Change in accounting policies	0	(7 558)
Deferred tax for the year	(69 846)	(73 086)
Adjustment from prior years	0	(655)
Deferred tax 31 December	394 140	463 986

The deferred tax asset is specified as follows:

Arising from deferred tax losses	581 631	603 370
Arising from accelerated depreciation allowances	(189 242)	(141 163)
Arising from deductible temporary differences	1 751	1 779
	394 140	463 986

Changes in Income Statement

Current tax for the year	(13 263)	(9 824)
Deferred tax for the year	(69 846)	(73 086)
Prior year adjustments	0	0
Tax effect for the year	(83 109)	(82 910)

The recognised deferred tax assets consist of taxable losses, which are expected to be utilised within 6 years through income generated from the ordinary business. The tax losses are a result of the significant investment the Company has made to become a significant mobile operator in the Danish market.

Expected utilisation of deferred tax asset:

0-1 year	67 409	79 400
> 1 year	326 731	384 586
	394 140	463 986

	2019	2018
	DKK '000	DKK '000
12 Cash at bank and in hand		
Cash at bank and in hand	105 572	88 466
	105 572	88 466

The Company has entered a cash pool with its parent company which means that available cash is collected by the parent company until it is needed. The cash pool is recorded as receivables from group enterprises.

13 Share capital

Analysis of the Company's share capital, DKK 64 375 000

64 375 class A shares of DKK 1 000 each	64 375	64 375
	64 375	64 375

The share capital has not changed in the last 5 years.
All shares have the same share class.

14 Other provisions

Provisions at 1 January	1 055	0
Additions for the year	67	1 055
Disposals for the year	0	0
Provisions at 31 December	1 122	1 055

15 Long-term debt

Outstanding debt after 5 years	145 434	0
Repayment between 1 and 5 years	357 460	144 376
Long-term debt	502 894	144 376
Current part of long-term debt	78 539	30 016
	581 433	174 392

	2019	2018
	DKK '000	DKK '000
16 Adjustment for non-cash items		
Financial income	(1)	(679)
Financial expenses	22 855	25 199
Depreciation and amortisation	354 568	313 864
Income taxes	83 109	82 910
Investment in joint ventures	(1 000)	(100)
Other adjustments	(1)	2
	459 530	421 196
17 Change in working capital		
Change in inventories	(22 566)	996
Change in receivables	10 671	43 093
Change in trade payables, etc.	5 858	(39 342)
	(6 037)	4 747
18 Contractual obligations		
Rental and lease obligations from operating leases. Total future rental and lease payments:		
Within 1 year	110 576	96 406
Between 1 and 5 years	115 478	127 236
More than 5 years	11 811	13 602
	237 865	237 244

19 Contingent assets and liabilities

The Company is jointly taxed with the other Danish companies in the 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. Any subsequent adjustments to income taxes and withholding taxes may lead to a larger liability. The tax for the individual companies is allocated in full on the basis of the expected taxable income.

The Company is involved in certain disputes with customers, suppliers and business partners. The Company has received a decision from SKAT concerning VAT on services. It is Management's assessment that the Company's VAT treatment on these services is in line with the current legislations. As a result, Management has appealed the decision. Although the final outcome of these matters cannot be predicted, Management believes that none of these cases could have a significant negative impact on the Company's results, financial position or cash flow.

20 Related parties

	Basis
Controlling interest	
HI3G DK Holdings ApS Scandiagade 8 DK-2450 København SV	Controlling shareholder
HI3G Access AB PO Box 7012 121 07 Stockholm - Globen Sweden	Controlling interest
CK Hutchison Holdings Limited 48th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong	Ultimate parent company

20 Related parties - continued

Transactions

Commercial terms and market prices apply for sale and purchases of goods and services between group companies.

Some of the Company's investments are made jointly with other telecom companies within the CK Hutchison Holdings Limited Group ("CK Hutchison Holdings Group").

During the year, the Company purchased services from other companies within the CK Hutchison Holdings Group, amounting to DKK 231,247K (2018: DKK 219,689k). These have either been expensed directly or booked as assets.

Other transactions with related parties

At year-end, the outstanding payable due to purchase of goods and services from the CK Hutchison Holdings Group companies amounted to DKK 22,882k (2018: DKK 18,791k). The outstanding receivable was DKK 141,442k (2018: DKK 154,600k).

At year-end, the Company has outstanding receivables from its group companies, amounting to DKK 96k (2018: DKK 193,031k).

Consolidated Financial Statements

The Company is included in the consolidated financial statements of HI3G Holdings AB, Stockholm, Sweden, which is the smallest group into which the Company is included as a subsidiary. The consolidated financial statements of CK Hutchison Holdings Limited, 48th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong, is the largest group into which the Company is included as a subsidiary. Copies of the consolidated financial statements can be obtained at the addresses of the respective parent companies.

	2019	2018
	DKK '000	DKK '000
21 Distribution of profit		
Proposed distribution of profit		
Extraordinary dividend paid out in the year	143 000	0
Transfer to reserve for development cost capitalised	6 457	7 886
Transfer to retained earnings	145 840	220 353
	295 297	228 239