

# AT&T Global Network Services Danmark ApS

Dronninggårds Alle 134, DK2840 Holte

CVR-nr. 21 25 46 81

## Annual Report for 2018

The Annual Report has been presented  
and adopted at the Annual General  
Meeting of the Company on 24<sup>th</sup>  
May 2019

*Chairman*



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## Management's Statement on the Annual Report

The Executive and Supervisory Boards have today considered and adopted the Annual Report of AT&T Global Network Services Danmark ApS for the financial year 1 January – 31 December 2018.

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 at 31 December 2018 of the Company and of the results of the Company operations for 2018.

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

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

Holte, 24<sup>th</sup> May 2019

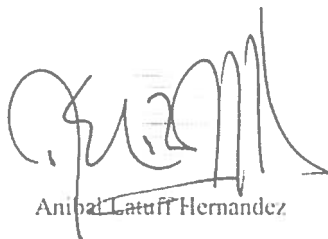
### Executive Board

Michael Springham

### Supervisory Board



Matthew Bunn  
Chairman



Anibal Latuff Hernandez



Michael Springham

# Independent Auditor's Report

To the Shareholders of AT&T Global Network Services Danmark ApS

## Opinion

We have audited the financial statements of AT&T Global Network Services Danmark ApS for the financial year 1 January – 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are 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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

## 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.

# Independent Auditor's Report

## Auditor's Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

## Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

# Independent Auditor's Report

Based on the work we have performed, we conclude that the 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 of the Management's review.

Copenhagen, 24th May 2019

**ERNST & YOUNG**  
**Godkendt Revisionspartnerselskab**  
**CVR no. 30 70 02 28**



Alex Petersen  
*State Authorised Public Accountant*  
mne28604

## Company Information

### The Company

AT&T Global Network Services Danmark ApS  
Dronninggårds Alle 134  
DK 2840 Holte  
Denmark

Telephone: +45 70 27 50 00

Website: [www.att.com](http://www.att.com)

CVR no.: 21 25 46 81

Financial year: 1 January - 31 December

Municipality of  
reg. office: Rudersdal

### Supervisory Board

Matthew Bunn, Chairman  
Anibal Latuff Hernandez  
Michael Springham

### Executive Board

Michael Springham

### Auditors

Ernst & Young P/S  
Osvold Helmuths Vej 4  
P.O. Box 250  
2000 Frederiksberg  
Denmark

### Consolidated Financial Statements

The company's ultimate parent company, which prepares consolidated financial statements, in which the company is included as a subsidiary, is AT&T Inc., Dallas, USA.

The consolidated financial statements of the ultimate parent company can be obtained at the following address:

AT&T Inc.  
208 S. Akard St.  
Dallas TX 75202.  
United States of America

## Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2018	2017	2016	2015	2014
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
<b>Key figures</b>					
<b>Profit/(loss)</b>					
Revenue	124 009	151 262	147 146	151 612	147 756
Gross profit	31 139	34 311	32 696	29 744	32 375
Profit before financial income and expenses	3 958	3 448	4 264	3 902	4 001
Net financials	5 144	5 649	6 740	6 154	5 830
Net profit for the year	4 728	7 137	8 640	7 460	4 531
<b>Balance sheet</b>					
Balance sheet total	836 257	829 108	827 990	809 726	823 764
Equity	797 767	793 039	785 903	777 263	784 803
Investments in property plant and equipment	12 820	20 528	39 159	24 500	32 100
<b>Average Number of employees</b>					
	59	62	65	69	70
<b>Ratios</b>					
Gross margin	25%	23%	22%	20%	22%
Profit margin	3%	2%	3%	3%	3%
Return on assets	0.5%	0.4%	0.5%	0%	0%
Solvency ratio	95%	96%	95%	96%	95%
Return on equity	0.6%	0.9%	1.1%	1.0%	0.6%



# Management's Review

## Main activity

During the year the Company continued to operate under the international trading agreement (the AT&T Global Intercompany Trading Agreement "AGITA") for its international operations. Under this agreement the Company provides network, sales and marketing and general administrative support to AT&T's global enterprise business, which is operated by AT&T Corp.

The Company bears limited risk in relation to its local business and receives income from another group undertaking as specified in the agreement. The company is remunerated based on a mark-up on value-added expenses.

## Developments in the year

The turnover of the company for the year decreased to TDKK 124 009 (2017: TDKK 151 262).

The turnover is generated from the provision of network, sales, marketing and general administrative support to an intermediate parent company through the operation of the AGITA.

Under the terms of the AGITA, the company continues to bear limited risk in relation to its local business and receives income from another group undertaking as specified in the agreement.

The company continued to support its parent company by developing its local business in line with AT&T Inc strategy.

Net profit for the year has reduced by TDKK 2 409 to TDKK 4 728 (2017: TDKK 7 137) principally as a result of reassessed corporation tax for periods 2013 to 2017 following conclusion of an advance pricing agreement (APA) with the Danish Tax Agency. This resulted in TDKK 2 261 additional income tax charge payable for these reassessed periods. The current year corporate income tax charge and deferred tax charge totals TDKK 2 113.

## Financial position

The Company has access to sufficient working capital funds to enable the company to trade for the foreseeable future.

## Business risks

The telecommunication industry is dependent on the general economic environment of the country and the international markets it operates in. The operation of the AGITA limits the risks faced by the Company, however any potential decline in the commercial activities of the group would potentially have an indirect adverse influence on the Company. Details of the group's business risks are discussed in the AT&T Inc. annual report.

## Financial risks

The Company operates under the terms of the AGITA, which the Company entered into on 1 January 2004. This agreement limits the risks and uncertainties faced by the Company, which as a result bears no credit, price or foreign exchange risk. Risk associated with funding of the Company and the ownership of fixed assets, is managed by the Company.

## **Management's Review**

### **Impact on the environment**

The business does not cause any damage to the environment.

### **The Expected Development**

The company will continue to support its intermediate parent company by developing its local business in line with AT&T Inc. strategy.

The profit before tax for 2019 is expected to be at the same level as for 2018.

## **Accounting Policies**

### **Basis of preparation**

The Annual Report of AT&T Global Network Services Danmark ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The applied accounting policies remain unchanged compared to previous years.

### **Recognition and measurement**

The financial statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Moreover, 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 changed 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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

### **Translation policies**

Transactions in foreign currencies are translated at the exchange rates 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 at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

### **Omission of a cash flow statement**

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the ultimate parent company AT&T Inc.

# Accounting Policies

## Profit and loss account

### Revenue

Revenue represents the income received from another group undertaking in accordance with the AGITA. Amounts invoiced to third party customers are accounted for as due to that other group undertaking under the terms of the AGITA because this Company does not bear the risks and may have a limited reward associated with these invoices.

The Company has chosen IAS 18 as interpretation for revenue recognition. Revenue is recognised exclusive of VAT and net of discounts relating to sales.

### Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year.

### Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

### Administrative expenses

Administrative expenses comprise expenses for management, administrative staff, office expenses, depreciation, etc.

### Financial income and expenses

Financial income and expenses comprise interest as well as realised and unrealised exchange rate adjustments.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year, including adjustments to prior years 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 transactions is recognised directly in equity. The tax recognised in the income statement is classified as tax on ordinary activities and tax on extraordinary items, respectively.

## Balance sheet

### Property, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation, based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

## Accounting Policies

### Property, plant and equipment (continued)

Plant and machinery, comprising:

Network equipment and customer premises equipment	5-9 years
Tools and testing equipment	12 years

The residual value and useful life of assets are reviewed at the end of each reporting period. The useful lives of customer premises equipment was extended from 3 to 5 years in 2018.

### Impairment of fixed assets

The carrying amounts of property, plant and equipment 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, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

### Receivables

The Company has chosen IAS 39 as interpretation for impairment of financial receivables. Receivables are measured 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.

### Prepayments and deferred income

Prepayments include expenses incurred in respect of subsequent financial years.

## Equity

### Dividend

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

### Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

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 crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

## Accounting Policies

### Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

### Debts

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

### Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

### Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

## Financial ratios

The financial ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Finance Society:

<i>Gross margin</i>	=	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
<i>Profit margin</i>	=	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
<i>Return on net assets</i>	=	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
<i>Solvency ratio</i>	=	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
<i>Return on equity</i>	=	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

## Income Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
Revenue		124 008 675	151 261 868
Cost of sales	1	(92 869 662)	(116 950 562)
Gross profit		<b>31 139 013</b>	<b>34 311 306</b>
Distribution expenses	1	(17 873 789)	(21 036 245)
Administrative expenses	1	(9 307 610)	(9 827 260)
<b>Profit before financial income and expenses</b>		<b>3 957 614</b>	<b>3 447 801</b>
Financial income	2	5 526 790	5 958 028
Financial expenses	3	(382 694)	(308 947)
<b>Profit before tax</b>		<b>9 101 710</b>	<b>9 096 882</b>
Tax on profit for the year		(4 373 704)	(1 960 178)
<b>Net profit for the year</b>		<b>4 728 006</b>	<b>7 136 704</b>

## Balance Sheet 31 December

<b>Assets</b>	<b>Note</b>	<b>2018</b> DKK	<b>2017</b> DKK
Plant and machinery		52 642 991	53 783 427
<b>Property, plant and equipment</b>	4	<b>52 642 991</b>	<b>53 783 427</b>
Trade receivables		46 778 293	31 088 259
Receivables from group enterprises		722 425 255	717 940 476
Other receivables		262 777	667 760
Tax receivable		-	-
Deferred tax asset	5	2 720 731	4 190 994
Prepayments		2 544 759	2 263 769
<b>Receivables</b>		<b>774 731 815</b>	<b>756 151 258</b>
<b>Cash at bank and in hand</b>		<b>8 882 635</b>	<b>19 173 429</b>
<b>Current assets</b>		<b>783 614 450</b>	<b>775 324 687</b>
<b>Assets</b>		<b>836 257 441</b>	<b>829 108 114</b>
<b>Liabilities and equity</b>			
Share capital		129 000	129 000
Retained earnings		797 638 435	792 910 429
<b>Equity</b>		<b>797 767 435</b>	<b>793 039 429</b>
Deferred income – long term		418 760	881 232
<b>Long-term debt</b>		<b>418 760</b>	<b>881 232</b>
Trade payables		8 923 785	12 175 130
Payables to group enterprises		11 634 091	4 565 856
Tax payable		1 259 065	2 212 639
Other payables		15 788 115	15 771 352
Deferred income		466 190	462 476
<b>Short-term debt</b>		<b>38 071 246</b>	<b>35 187 453</b>
<b>Debt</b>		<b>38 490 006</b>	<b>36 068 685</b>
<b>Liabilities and equity</b>		<b>836 257 441</b>	<b>829 108 114</b>



## Other Notes

Contingent assets, liabilities and other financial obligations	6
Subsequent events	7
Related parties	8
Distribution of profits	9

## Statement of Changes in Equity

	Share capital DKK	Retained earnings DKK	Total DKK
Equity at 1 January 2018	129 000	792 910 429	793 039 429
Net profit for the year	-	4 728 006	4 728 006
<b>Equity at 31 December 2018</b>	<b>129 000</b>	<b>797 638 435</b>	<b>797 767 435</b>
Equity at 1 January 2017	129 000	785 773 725	785 902 725
Net profit for the year	-	7 136 704	7 136 704
<b>Equity at 31 December 2017</b>	<b>129 000</b>	<b>792 910 429</b>	<b>793 039 429</b>

## Notes to the Annual Report

	2018 DKK	2017 DKK
<b>1</b> Wages and salaries	59 640 680	63 452 491
Pensions	5 557 447	5 796 142
Other social security expenses	133 513	422 820
	<u><b>65 331 640</b></u>	<u><b>69 671 453</b></u>
 Average number of employees	 <u>59</u>	 <u>62</u>
 The average number of employees reduced by 3, to 59 in 2018 from 62 in 2017.		
Remuneration to the Executive Board has not been disclosed in accordance with section 98B (3) of the Danish Financial Statements Act.		
Wages and salaries, pensions and other social security expenses are split on the following financial statement lines:		
Cost of Sales	45 564 544	46 227 949
Distribution expenses	17 821 419	20 965 498
Administrative expenses	1 945 677	2 478 007
	<u>65 331 640</u>	<u>69 671 453</u>
 <b>2</b> Financial income		
Interest received from group enterprises	5 526 790	5 958 028
	<u><b>5 526 790</b></u>	<u><b>5 958 028</b></u>
 <b>3</b> Financial expenses		
Exchange adjustments	239 491	270 061
Bank charges on overdrawn balances - net	143 203	38 886
	<u><b>382 694</b></u>	<u><b>308 947</b></u>

## Notes to the Annual Report

	<b>2018</b> DKK Plant and machinery
<b>4 Property, plant and equipment</b>	
Cost at 1 January 2018	192 629 760
Additions for the year	12 820 312
Disposals for the year	(7 713 452)
Cost at 31 December 2018	<u>197 736 620</u>
Impairment losses and depreciation at 1 January 2018	138 846 333
Depreciation for the year	13 720 218
Reversal of impairment and depreciation of sold assets	(7 472 922)
Impairment losses and depreciation at 31 December 2018	<u>145 093 629</u>
Carrying amount at 31 December 2018	<u>52 642 991</u>

### 5 Deferred Tax asset

Balance 1 January 2018	4 190 994
Adjustments to prior years	-
Tax effect due to change of the tax percentage	-
Movement in tax asset in the year	(1 470 263)
Balance 31 December 2018	<u>2 720 731</u>

The tax asset primarily relates to temporary difference of property, plant and equipment. Deferred tax asset consists primarily of temporary differences and is expected to be utilized by future positive earnings in the coming years.

Deferred tax has been calculated based on a tax percentage of 22%.

### 6 Contingent assets, liabilities and other financial obligations

The company has leasing contracts and tenancy agreements which total TDKK 5 016.

### 7 Subsequent events

After the balance sheet date no significant events have occurred which are considered to have a significant effect on the assessment of the Annual Report.

## Notes to the Annual Report

### 8 Related parties

#### *Controlling interest*

AT&T Global Network Holding LLC  
c/o Corporation Trust Company  
Corporation Trust Center  
1209 Orange Street, Wilmington DE 19801  
United States of America

#### *Basis*

Controlling shareholder

AT&T Inc.  
208 S. Akard St.  
Dallas TX 75202  
United States of America

Ultimate parent company

#### *Transactions*

The Company has received TDKK 124 009 in revenue from group undertakings. The transaction has been effected at arm's length.

Receivable from AT&T Corp. According to the loan agreement the loan bears interest of 12 month CIBOR plus 1/8% (2017: CIBOR plus 1%). The loan is due on 31 December 2023 or with 14 days' notice.

Apart from the above, there have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

### 9 Distribution of profit

Retained earnings

2018	2017
DKK	DKK

4 728 006	7 136 704
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<u>4 728 006</u>	<u>7 136 704</u>
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