

CENTURLINK COMMUNICATIONS DENMARK ApS
Sydvestvej 100, 2600 Glostrup

Central Business Registration No 21 26 46 44

ANNUAL REPORT 2018

The Annual General Meeting adopted the Annual Report on 16th May 2019

Director



Qamar Ul Arfeen Qadeer

CENTURYLINK COMMUNICATIONS DENMARK ApS

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CENTURYLINK COMMUNICATIONS DENMARK ApS

COMPANY DETAILS

Company

*CenturyLink Communications Denmark ApS
Sydvestvej 100, 2600 Glostrup
Central Business Registration No: 21 26 46 44
Registered in Glostrup
Telephone: +31 208083900
Internet: www.centurylink.com*

Board of Directors

*Hans Zabell Abildstrom
Qamar Ul Arfeen Qadeer*

Company Auditors

*Grant Thornton, State Authorised Public Accountants
Stockholmsgade 45, 2100 Copenhagen*

CENTURLINK COMMUNICATIONS DENMARK ApS

MANAGEMENT'S REPORT

The Executive Board and Board of Directors has prepared the Annual Report of CenturyLink Communications Denmark ApS (formerly Level 3 Communications ApS) for the year ended 31 December 2018. The Annual Report was discussed and approved on 16th May 2019.

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

We consider the accounting policies used are appropriate and the accounting estimates made are reasonable. The Directors believe that the Annual Report includes information which is relevant for an assessment of the Company's financial position. It is the opinion of the Directors that the Annual Report gives a true and fair view of the Company's assets and liabilities, financial position and results for the year ended 31 December 2018.

We recommend that the Annual Report is approved at the Annual General Meeting.

Glostrup, 16th May 2019

Executive Board


Qamar Ul Arfeen Qadeer

Board of Directors


Hans Zabell Abildstrom


Qamar Ul Arfeen Qadeer

THE INDEPENDENT AUDITOR'S REPORT

To the shareholder of CenturyLink Communications Denmark ApS

Opinion

We have audited the annual accounts of CenturyLink Communications ApS for the financial year 1 January to 31 December 2018, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January to 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 and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

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

THE INDEPENDENT AUDITOR'S REPORT (CONTINUED)

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

THE INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 16th May 2019

Grant Thornton

Company reg. no. 34 20 99 36


Michael Winther Rasmussen

State Authorised Public Accountant

MNE-no. 28708

CENTURYLINK COMMUNICATIONS DENMARK ApS

MANAGEMENT REVIEW

Principal Activity

The principal activity of CenturyLink Communications Denmark ApS (“the Company”) is the provision of national and international telecommunications services.

The Directors present their report and financial statements for CenturyLink Communications Denmark ApS (“the Company”) for the year ended 31 December 2018.

The Company is a member of the CenturyLink Group of Companies (“the Group” or “CenturyLink”), an international facilities-based communications company engaged primarily in providing an integrated array of services to business and residential customers. The communications services include local and long-distance voice, virtual private network (“VPN”) data network, private line (including business data services), ethernet, information technology, wavelength, broadband, colocation and data centre services, managed services, professional and other services provided in connection with selling equipment, network security and various other ancillary services. A facilities-based provider is one that owns or leases a substantial portion of the property, plant and equipment necessary to provide its services. The Group network is an international communications network that has been created by constructing its own assets through a combination of purchasing other companies and purchasing or leasing facilities from others. The Group network is designed to provide communications services that employ and take advantage of rapidly improving underlying optical, internet Protocol (“IP”), computing and storage technologies.

The Group is currently focusing its attention on a number of operational and financial objectives, including: (1) growing free cash flow per share as it believes that it has the ability to drive that growth, first through synergy achievement, and then through ongoing efficiencies and profitable revenue growth over the long term; (2) continuing growth in adjusted EBITDA; (3) strong free cashflow generation; (4) achieving the expected operating expense and capital cost savings; (5) investing in the products, services and customer experience platforms necessary to meet the connectivity and managed services needs of the business market; (6) focusing on customers’ needs and improving overall customer experience; (7) concentrating its capital expenditures on those technologies and assets that enable the Group to increase its Core Network Services revenue; and (8) managing the Wholesale Voice Services for margin contribution.

Review of the business

The Company made a profit of DKK 1.173k during the year (2017: DKK 2.741k). The Company continues to trade in the same market segments as in prior years, with a competitive telecommunications market limiting the Company’s ability to significantly increase revenues or margins.

Ownership

The Company is a wholly owned subsidiary of Level 3 International Services, Inc., a company registered in the United States of America. The results of the Company are consolidated, into CenturyLink, Inc., whose group financial statements can be obtained from Investor Relations, 100 CenturyLink Drive, Monroe, Louisiana, 71203, United States of America.

CENTURYLINK COMMUNICATIONS DENMARK ApS

ACCOUNTING POLICIES

The Annual Report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class B.

The accounting policies applied for this Annual Report are consistent with those applied last year.

General provisions in recognition and measurement

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

Liabilities are recognised in the Balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liabilities can be measured reliably.

On initial recognition assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each item.

Anticipated risks and losses that arise before the time of presentation of the Annual Report and that confirm or invalidate affairs and conditions existing at the Balance sheet date are considered at recognition and measurement.

Income is recognised in the Income statement when earned and costs are recognised by the amounts attributable to this financial year. Valuation adjustments to financial assets or liabilities are recorded in the Income statement as financial income or financial expenses.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the Balance sheet date are translated using the exchange rate at the Balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the Balance sheet date, are recognised in the Income statement as financial income or financial expenses. Fixed assets purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the provision of services is recognised in the Income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts.

Administrative expenses

Administrative expenses comprise expenses incurred for management and administration of the Company, including expenses for the staff and management and office supplies.

CENTURYLINK COMMUNICATIONS DENMARK ApS

ACCOUNTING POLICIES (CONTINUED)

Income statement (continued)

Financial income and expenses

These items comprise interest income and expenses, the interest portion of finance lease payments, realised and unrealised capital gains and losses on payables and transactions in foreign currencies, and cash discounts, etc.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the Income statement by the portion attributable to the profit for the year.

The current tax payable or receivable is recognised in the Balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred tax is recognised and measured applying the liability method on all temporary differences between the carrying amount and tax-based value of assets and liabilities. The tax-based value of the assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the Balance sheet at their estimated realisable value.

Balance sheet

Property, plant and equipment

Network as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance lease, cost is the lower of the asset's fair value and the present value of future lease payments.

Interest expenses on loans for financing the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other financing costs are recognised in the Income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Network facility and leasehold improvements	2-50 years
Other fixtures, fittings, tools and equipment	3-7 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

CENTURLINK COMMUNICATIONS DENMARK ApS

ACCOUNTING POLICIES (CONTINUED)

Balance sheet (continued)

Property, plant and equipment (continued)

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Profits and losses are recognised in the Income statement together with depreciation and impairment losses or under other operating income if the selling price exceeds original cost.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less provisions for any bad debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at amortised cost, which usually corresponds to the nominal value.

Equity

Dividends are recognised as a liability at the time of adoption at the general meeting. The proposed dividends for the financial year are disclosed as a separate item under equity.

Lease commitments

Lease commitments relating to assets held under finance leases are recognised in the Balance sheet as liabilities other than provisions, and are measured at amortised cost after initial recognition. The interest portion of lease payments is recognised over the term of the contracts as financial costs in the Income statement.

Financial liabilities

At the time of borrowing, financial liabilities are measured at the proceeds received less transaction costs incurred, and subsequently measured at amortised cost, corresponding to the capitalised value using the effective interest method.

Other provisions

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the Balance sheet date. Any provisions estimated to mature more than one year after the Balance sheet date would be discounted at the average bond yields.

Other financial liabilities

Other financial liabilities are recognised at amortised cost, which usually corresponds to nominal value.

Deferred income

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at amortised cost, which usually corresponds to nominal value.

CENTURLINK COMMUNICATIONS DENMARK ApS

INCOME STATEMENT

	<u>Notes</u>	<u>2018</u> <u>DKK'000</u>	<u>2017</u> <u>DKK'000</u>
Third-party revenue	2	6.443	5.683
Intercompany service revenue	2	24.631	24.771
Total revenue		31.074	30.454
Network expenses		(17.386)	(16.367)
Gross profit		13.688	14.087
Administrative expenses		(3.347)	(2.657)
Profit from ordinary activities		10.341	11.430
Depreciation and amortisation	6	(8.811)	(9.200)
Other financial income	4	394	385
Other financial expense	4	(771)	(677)
Net financial expense		(377)	(292)
Profit before tax		1.153	1.938
Tax charge on profit	5	(240)	803
Profit for the year		913	2.741

CENTURYLINK COMMUNICATIONS DENMARK ApS

BALANCE SHEET

	<u>Notes</u>	<u>2018</u> <u>DKK'000</u>	<u>2017</u> <u>DKK'000</u>
Land	6	83	83
Network facility and leasehold improvements	6	24.922	27.626
Property, plant and equipment		<u>25.005</u>	<u>27.709</u>
Deposits		46	46
Deferred tax	5	3.938	4.177
Financial fixed assets		<u>3.984</u>	<u>4.223</u>
Fixed assets		<u>28.989</u>	<u>31.932</u>
Trade receivables		1.239	1.486
Receivables due from affiliated entities	7	8.394	5.346
Other receivables		887	767
Prepayments	8	1.716	1.771
Short-term receivables		<u>12.236</u>	<u>9.370</u>
Cash		<u>38</u>	<u>447</u>
Current assets		<u>12.274</u>	<u>9.817</u>
Assets		<u>41.263</u>	<u>41.749</u>

CENTURYLINK COMMUNICATIONS DENMARK ApS

BALANCE SHEET (CONTINUED)

	<u>Notes</u>	<u>2018</u> <u>DKK'000</u>	<u>2017</u> <u>DKK'000</u>
Share capital	9	310	310
Retained earnings		13.630	12.717
Proposed dividend		-	-
Equity		<u>13.940</u>	<u>13.027</u>
Lease liability	10	11.407	13.162
Deferred income		249	208
Long-term liabilities		<u>11.656</u>	<u>13.370</u>
Trade payables		1.704	3.526
Payable due to affiliated entities	7	7.380	7.137
Other payables	11	4.161	2.344
Deferred income		657	620
Lease liability	10	1.765	1.725
Short-term liabilities		<u>15.667</u>	<u>15.352</u>
Liabilities		<u>27.323</u>	<u>28.722</u>
Equity and liabilities		<u>41.263</u>	<u>41.749</u>
Lease liability	10		
Contractual obligations	12		
Contingent liabilities	13		
Ownership	14		
Related parties	15		
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CENTURYLINK COMMUNICATIONS DENMARK ApS

EQUITY STATEMENT

	Share Capital <u>DKK'000</u>	Retained Earnings <u>DKK'000</u>	Proposed Dividends <u>DKK'000</u>	Total <u>DKK'000</u>
Equity at 31 December 2016	310	9.976	40.000	50.286
Dividend declared	-	-	(40.000)	(40.000)
Profit for the year	-	2.741	-	2.741
Equity at 31 December 2017	310	12.717	-	13.027
Profit for the year	-	913	-	913
Equity at 31 December 2018	310	13.630	-	13.940

CENTURYLINK COMMUNICATIONS DENMARK ApS

NOTES

1. Principal activity

The principal activity of CenturyLink Communications Denmark ApS (“the Company”) is the provision of national and international telecommunications services.

The Company is a member of the CenturyLink Group of Companies (“the Group” or “CenturyLink”).

2. Total revenue

The Group’s international network consists of telecommunications services provided by CenturyLink entities operating in different jurisdictions to form a single combined and integrated world-wide telecommunications network. The Company is in the business of providing telecommunications services in its country of operation as part of the Group’s international network.

The Company entered into the Intercompany Telecommunications Services Agreement with effect from 1 January 2013 (“ITSA”). The agreement centralises the administrative functions relating to intercompany telecommunications services in CenturyLink Communications PEC Services Europe Limited (“PEC SEL”), a CenturyLink entity incorporated in Ireland. The ITSA also details the terms upon which the Company procures or sells telecommunications services with other members of the Group.

3. Average number of employees

	<u>2018</u>	<u>2017</u>
Average number of employees	5	5

No member of the Executive Board of Directors received remuneration from the Company during the year.

4. Net financial expense

	<u>2018</u>	<u>2017</u>
	<u>DKK’000</u>	<u>DKK’000</u>
Other financial income:		
Interest receivable from affiliated entities	-	385
Foreign exchange gains	394	-
	<u>394</u>	<u>385</u>
Other financial expenses:		
Interest payable on capital lease and other	(526)	(663)
Interest payable to affiliated entities	(245)	-
Foreign exchange losses	-	(14)
	<u>(771)</u>	<u>(677)</u>
Total net financial expense	<u>(377)</u>	<u>(292)</u>

CENTURLINK COMMUNICATIONS DENMARK ApS

NOTES (CONTINUED)

5. Tax charge

During the financial year, the Company did not make any payments with regards to income taxes.

At 31 December 2018, the Company has recognised a deferred tax asset of DKK 3.938k (2017: DKK 4.177k) in respect of tax depreciation possibilities on fixed assets.

6. Property, plant and equipment

	Land DKK'000	Network facility and leasehold improvements DKK'000	Other fixtures, fittings, tools & equipment DKK'000	Total DKK'000
Cost at 1 January 2018	459	505.922	5.001	511.382
Additions	-	6.240	-	6.240
Retirements	-	(267)	-	(267)
Cost at 31 December 2018	459	511.895	5.001	517.355
Accumulated depreciation at 1 January 2018	376	478.296	5.001	483.673
Depreciation	-	8.702	-	8.702
Retirements	-	(25)	-	(25)
Accumulated depreciation at 31 December 2018	376	486.973	5.001	492.350
Net carrying amount at 31 December 2018	83	24.922	-	25.005
Net carrying amount at 31 December 2017	83	27.626	-	27.709

CENTURYLINK COMMUNICATIONS DENMARK ApS

NOTES (CONTINUED)

7. Balances due from/(to) affiliated entities

	2018	2017
	DKK'000	DKK'000
CenturyLink Communications PEC Services Europe Limited	7.623	5.061
CenturyLink Communications Europe Limited	567	96
Other	204	189
Short-term receivables due from affiliated companies	8.394	5.346
Level 3 International Services, Inc.	(2.562)	(2.562)
CenturyLink Communications UK Limited	(2.415)	(2.472)
Level 3 Holdings B.V.	(2.372)	(2.095)
Other	(31)	(8)
Short-term payables due to affiliated companies	(7.380)	(7.137)

8. Prepayments

	2018	2017
	DKK'000	DKK'000
Duct and dark fibres	-	109
Prepaid netex	384	484
Prepaid leases	1.236	1.032
Other	96	146
	1.716	1.771

At 31 December 2018, the Company had prepayments of DKK Nil (2017: DKK 109k) in respect of ducts and dark fibres to be provided to the Company by Telia. This amount was being amortised over a period of 15 years.

9. Share capital

The share capital consists of 3.100 shares at DKK 100. The shares are not divided into classes.

CENTURYLINK COMMUNICATIONS DENMARK ApS

NOTES (CONTINUED)

10. Lease liability

CenturyLink Communications Denmark ApS and Level 3 Communications AB entered into a "Supply and Services Agreement" with "Oresundbro Konsortiet" regarding the supply of optical fibre cables and the provision of operation and maintenance services. The "Oresundbro Konsortiet" will in the period of the contract (25 years) own the portion of the cable system installed on the "coast to coast" fixed link. The Company acquired the cable system on an indefeasible right of use basis during the term of the agreement (25 years) and obtained operation and maintenance services from the "Oresundbro Konsortiet". In accordance with the agreement the fee of DKK 51.558k is being paid over the term of the contract. The net debt owing as of December 31, 2018 was DKK 13.172k of which DKK 1.765k falls due for payment in 2019.

	2018	2017
	DKK'000	DKK'000
<i>Expiration:</i>		
Short-term lease liability	1.765	1.725
Between 1 and 5 years	7.424	7.266
After 5 years	3.983	5.896
Long-term lease liability	11.407	13.162
Total lease liability	13.172	14.887

11. Other payables

	2018	2017
	DKK'000	DKK'000
Wages, salaries and social security	552	325
Holiday pay obligation	158	324
Accrued rent	2.788	1.227
Other costs payable	663	468
Total other payables	4.161	2.344

12. Contractual obligations

Annual commitments under non-cancellable operating leases and rental agreements are as follows:

	2018	2017
	DKK'000	DKK'000
<i>Expiration:</i>		
Within 1 year	2.115	1.989
Between 2 and 5 years	9.281	8.524
After 5 years	3.646	5.836
	15.042	16.349

CENTURYLINK COMMUNICATIONS DENMARK ApS

NOTES (CONTINUED)

13. Contingent liabilities

There are no contingent liabilities to disclose in the financial statements.

14. Ownership

The following immediate shareholders hold more than 5% of the Company's share capital:

Level 3 International Services, Inc., 1209 Orange Street, Wilmington, Delaware 19801, United States of America.

15. Related parties

Related parties with a controlling interest in CenturyLink Communications Denmark ApS:

Level 3 International Services, Inc., 1209 Orange Street, Wilmington, Delaware 19801, United States of America.

Transactions between other affiliated entities and CenturyLink Communications Denmark ApS in 2018:

During the year, the Company did not sell to, purchase goods from or incur financial expenses from either its immediate parent, Level 3 International Services, Inc., or from other affiliated entities, unless otherwise disclosed elsewhere in these financial statements.

16. Consolidation

The ultimate parent company is CenturyLink, Inc., a company registered in the United States of America. The results of the Company are consolidated, into CenturyLink, Inc., whose accounts can be obtained from Investor Relations, 100 CenturyLink Drive, Monroe, Louisiana, 71203, United States of America.