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# ***Arelion Denmark A/S***

Industrivej 15, DK-6830 Nørre Nebel

## **Annual Report for 1 January - 31 December 2022**

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CVR No 24 21 04 13

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
7 /7 2023

Staffan Gustaf Göjeryd  
Chairman of the General  
Meeting

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# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Arelion Denmark A/S for the financial year 1 January - 31 December 2022.

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 2022 of the Company and of the results of the Company operations for 2022.

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.

Copenhagen, 7 July 2023

## **Executive Board**

Staffan Gustaf Göjeryd

## **Board of Directors**

Keld Gregers Sørensen

Johan David Ottosson

Staffan Gustaf Göjeryd

# Independent Auditor's Report

To the Shareholder of Arelion Denmark A/S

## Opinion

We have audited the financial statements of Arelion Denmark A/S for the financial year 1 January – 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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 2022 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2022 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code

## 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.

# Independent Auditor's Report

As part of an audit conducted in accordance with ISAs and the 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.

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.

## **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.

## **Independent Auditor's Report**

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 Financials Statements Act.

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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 7 July 2023

**EY**

Godkendt Revisionspartnerselskab

*CVR No 30 70 02 28*

Allan Nørgaard

State Authorised Public Accountant

mne35501

## Company Information

### **The Company**

Arelion Denmark A/S  
Industrivej 15  
DK-6830 Nørre Nebel

CVR No: 24 21 04 13  
Financial period: 1 January - 31 December  
Municipality of reg. office: Varde

### **Board of Directors**

Keld Gregers Sørensen  
Johan David Ottosson  
Staffan Gustaf Göjeryd

### **Executive Board**

Staffan Gustaf Göjeryd

### **Auditors**

EY  
Godkendt Revisionspartnerselskab  
Dirch Passers Allé 36  
DK-2000 Frederiksberg

## Financial Highlights

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

	2022 TDKK	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	129.495	122.052	123.753	123.665	95.472
Profit/loss before financial income and expenses	6.672	4.727	4.240	3.004	3.801
Net financials	260	10	-32	22	12
Net profit/loss for the year	5.028	5.349	6.210	4.255	2.179
<b>Balance sheet</b>					
Balance sheet total	194.251	187.699	181.918	205.961	174.806
Equity	96.927	91.899	86.550	90.340	86.085
Investment in property, plant and equipment	6.077	14.237	16.152	24.276	25.558
Number of employees	8	9	12	11	10
<b>Ratios</b>					
Return on assets	3,4%	2,5%	2,3%	1,5%	2,2%
Solvency ratio	49,9%	49,0%	47,6%	43,9%	49,2%



# Management's Review

## Key activities

Arelion operates in two main business areas, Data and Voice Communications. The Data segment offers different products for data communication aimed at different customer segments and user situations with global needs. For data transport on a global scale, internal services and capacity are offered in the form of wavelengths and Ethernet connections, and to a lesser extent, also data center services (co-location) and dark fiber.

The Voice segment deals with global phone calls, where we offer cost-effective transportation of voice minutes between operators, and messaging services, mainly from application to human, for authentication or customer engagement.

Arelion's purpose is to keep the world connected, all the time. Our vision is to lead the way forward in our industry, by defining what quality means; Based on our global network, services and people, to offer our customers a unique customer experience at every stage of the customer journey.

## Development in the year

The income statement of the Company for 2022 shows a profit of TDKK 5,028, and at 31 December 2022 the balance sheet of the Company shows equity of TDKK 96,927.

The result before taxes of TDKK 6.900 is 2 Mio DKK higher than expected. This was mainly achieved by an increase in revenues for infrastructure services to a new customer.

The transfer price revenue reflects the reimbursement to Arelion Denmark A/S relating to the other Arelion companies usage of the Danish network and related assets owned by Arelion Denmark A/S.

The transfer price cost relates to the Arelion Denmark A/S' usage of network and related assets owned by other Arelion companies. The business has a long history and continued fairly stable in 2022 compared with 2021.

The global market for data services is characterized over time by volume growth and high demand for new capacity combined with continuously falling unit prices driven by new, more efficient technology.

Overall, the market in Arelion's main data products is expected to grow by 1-3 percent in Wholesale, and slightly higher in Enterprise (3-4 percent) due to higher demand and lower price erosion. Demand is mainly driven by the following trends, all accelerated by the pandemic:

Growing bandwidth consumption:

Digitalization, with an increasing use of cloud and "XaaS" services, the shift to remote work/teaching, and bandwidth-intensive applications such as video streaming, gaming, and more, is driving bandwidth demand among end users in both the business and consumer side.

High rate of investment in digital infrastructure:

Investments in better access networks (home/office fibre, 5G) enable faster connections and higher demand for digital services. Growth in digital services means continued high demand for new data center

## Management's Review

capacity in Europe. At the same time, expansion into edge markets is underway to move services and content closer to end users.

Cloud and Internet-based corporate networks:

Large companies are increasingly moving their infrastructure to different cloud services, while employees are increasingly working remotely. In combination with new technologies, such as software-based enterprise networks (SD-WANs) and cloud-based security, companies can increasingly use the Internet for data transport, combined with high-capacity links that connect data centers and clouds. This creates new opportunities for Arelion's most important products.

Security at every level:

A reliable and secure connection has never been more business-critical. At the same time, the number of attacks increased in both size and scope as a result of both cybercrime and geopolitical tensions. Customers from both Wholesale and Enterprise are demanding more solutions and better information to use their digital infrastructure securely.

High rate of investment in digital infrastructure:

Arelion continued to be ranked as global #1 in IP transit by independent research firm Kentik and has continued to gain market share, including in the enterprise segment, where new sales doubled during the year. Based on available reporting, Arelion continued to grow faster than most of its key competitors (1.2% for the full year 2022 in constant currency), e.g. Lumen (-6.7%), NTT (-2.5%) and Orange (-2.1%). Sales increased in the main products IP transit, Wavelengths and Ethernet connections, while other products showed a weaker development. Among other things, revenues from the Telia Group decreased, partly due to services in the Nordic region that have ceased as a result of the separation.

### ***Competitive pressure***

Due to the current network infrastructure and the structural organisation, the Company meets its operational expenses from a combination of third-party revenues, and services provided to related parties. Demand from related parties remains strong. Existing contracts signed with companies within the Arelion group are expected to drive future growth.

Furthermore, the continuing price pressures experienced by all telecommunications providers including Arelion Group mean that the increase in bandwidth traffic and associated revenues has not translated into an increase in gross profit.

# Management's Review

## ***Credit risks***

Credit risk for the Company arises from trade and other receivables, and an amount due from parent, and cash at bank. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payment when due and current, ability to pay, and take into account information specific to the customers. The Company will make specific provision for those balances which cannot be recovered. The directors are of the opinion that the default risk is low. In addition, although trade receivables consist of a small number of customers, the Company has policies in place for the control and monitoring of the concentration of credit risk.

In times of COVID-19 Arelion Denmark closely monitor payments and due dates on Accounts receivables. There are no additional bad debts so far in relation with the COVID-19 situation.

The credit risk of an amount due from the parent is low as the fellow subsidiary has no default history, and the directors closely monitor the financial position of the parent.

## ***Liquidity risks***

The liquidity of the Company is managed by monitoring the funding requirements needed to meet its current financial commitments, maintaining cash on hand and assessing whether a loan is required from its ultimate parent company. Given the Company's historic cash and cash flow position, the directors are of the opinion that the Company does not have significant liquidity risk.

## **Targets and expectations for the year ahead**

The Voice market, which deals with global telephone calls and messaging services, is declining, however, because of new technological solutions (relating to the aforementioned trends), which have also been reinforced by the pandemic as a result of less travel and more on line meetings and calls the company was able to compensate for the declining voice business by increasing the business on IP traffic and bandwidth.

The Arelion Group has a strong market place and a strong determined owner. Arelion Denmark A/S is an important keystone in the global Arelion network. We expect a positive result before tax for 2023 of approximately TDKK 6.000 - similar to 2022.

## **Environment**

The Arelion Group has identified a number of key performance indicators that will drive the behaviours identified as success factors in our sustainability work

Area - environmental impact

- Energy consumption including refrigerant and heat assumptions on own sites.
- Share of renewable energy on own sites.
- Operational waste either reused or resold for reuse.

## **Management's Review**

### **Unusual events**

As a result of the war in Ukraine, Arelion has been affected in its business operations in Russia by halting deliveries from suppliers in the US and has therefore suspended all new sales in Russia until further notice. Furthermore, Arelion complies with all applicable sanctions.

### **Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income Statement 1 January - 31 December

	Note	2022 TDKK	2021 TDKK
<b>Revenue</b>		<b>129.495</b>	<b>122.052</b>
Expenses for raw materials and consumables		-92.440	-90.190
Other external expenses		<u>-1.935</u>	<u>-1.467</u>
<b>Gross profit/loss</b>		<b>35.120</b>	<b>30.395</b>
Staff expenses	3	-8.299	-9.311
Depreciation, amortisation and impairment of property, plant and equipment	4	-19.527	-16.357
Other operating expenses		<u>-622</u>	<u>0</u>
<b>Profit/loss before financial income and expenses</b>		<b>6.672</b>	<b>4.727</b>
Financial income	5	300	27
Financial expenses	6	<u>-40</u>	<u>-17</u>
<b>Profit/loss before tax</b>		<b>6.932</b>	<b>4.737</b>
Tax on profit/loss for the year	7	<u>-1.904</u>	<u>612</u>
<b>Net profit/loss for the year</b>		<b><u>5.028</u></b>	<b><u>5.349</u></b>

# Balance Sheet 31 December

## Assets

	Note	2022 TDKK	2021 TDKK
Land and buildings		7.235	7.876
Other fixtures and fittings, tools and equipment		81.209	92.877
Property, plant and equipment in progress		3.834	5.597
<b>Property, plant and equipment</b>	<b>8</b>	<b>92.278</b>	<b>106.350</b>
<b>Fixed assets</b>		<b>92.278</b>	<b>106.350</b>
Trade receivables		13.492	22.247
Receivables from group enterprises		68.344	40.945
Other receivables		877	17
Deferred tax asset	9	10.930	12.720
Prepayments		8.330	5.420
<b>Receivables</b>		<b>101.973</b>	<b>81.349</b>
<b>Currents assets</b>		<b>101.973</b>	<b>81.349</b>
<b>Assets</b>		<b>194.251</b>	<b>187.699</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2022 TDKK	2021 TDKK
Share capital	10	1.000	1.000
Retained earnings		40.927	90.899
Proposed dividend for the year		55.000	0
<b>Equity</b>		<b>96.927</b>	<b>91.899</b>
Deferred income		57.323	62.805
<b>Long-term debt</b>	11	<b>57.323</b>	<b>62.805</b>
Trade payables		12.795	14.298
Payables to group enterprises		7.467	106
Corporation tax		114	0
Other payables		14.143	13.108
Deferred income	11	5.482	5.483
<b>Short-term debt</b>		<b>40.001</b>	<b>32.995</b>
<b>Debt</b>		<b>97.324</b>	<b>95.800</b>
<b>Liabilities and equity</b>		<b>194.251</b>	<b>187.699</b>
Unusual events	1		
Subsequent events	2		
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
Accounting Policies	15		

## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1.000	90.899	0	91.899
Net profit/loss for the year	0	-49.972	55.000	5.028
<b>Equity at 31 December</b>	<b>1.000</b>	<b>40.927</b>	<b>55.000</b>	<b>96.927</b>



# Notes to the Financial Statements

## 1 Unusual events

As a result of the war in Ukraine, Arelion has been affected in its business operations in Russia by halting deliveries from suppliers in the US and has therefore suspended all new sales in Russia until further notice. Furthermore, Arelion complies with all applicable sanctions.

## 2 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## 3 Staff expenses

	2022 TDKK	2021 TDKK
Wages and salaries	7.113	7.518
Pensions	759	806
Other social security expenses	133	232
Other staff expenses	294	755
	<b>8.299</b>	<b>9.311</b>
<b>Average number of employees</b>	<b>8</b>	<b>9</b>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

No Board member fees have been paid.

## 4 Depreciation, amortisation and impairment of property, plant and equipment

Depreciation of property, plant and equipment	19.527	16.357
	<b>19.527</b>	<b>16.357</b>

## 5 Financial income

Other financial income	282	27
Exchange gains	18	0
	<b>300</b>	<b>27</b>

## Notes to the Financial Statements

	2022 TDKK	2021 TDKK
<b>6 Financial expenses</b>		
Other financial expenses	40	17
	<b>40</b>	<b>17</b>

## 7 Tax on profit/loss for the year

Current tax for the year	114	0
Deferred tax for the year	1.790	-612
	<b>1.904</b>	<b>-612</b>

## 8 Property, plant and equipment

	Land and buildings TDKK	Other fixtures and fittings, tools and equipment TDKK	Property, plant and equipment in progress TDKK	Total TDKK
Cost at 1 January	10.145	400.738	5.597	416.480
Additions for the year	0	4.209	1.868	6.077
Disposals for the year	0	-22.307	0	-22.307
Transfers for the year	0	3.631	-3.631	0
Cost at 31 December	10.145	386.271	3.834	400.250
Impairment losses and depreciation at 1 January	2.269	307.861	0	310.130
Depreciation for the year	641	18.886	0	19.527
Reversal of impairment and depreciation of sold assets	0	-21.685	0	-21.685
Impairment losses and depreciation at 31 December	2.910	305.062	0	307.972
<b>Carrying amount at 31 December</b>	<b>7.235</b>	<b>81.209</b>	<b>3.834</b>	<b>92.278</b>

# Notes to the Financial Statements

	2022 TDKK	2021 TDKK
<b>9 Deferred tax asset</b>		
Deferred tax asset at 1 January	12.720	12.108
Amounts recognised in the income statement for the year	-1.790	612
<b>Deferred tax asset at 31 December</b>	<b>10.930</b>	<b>12.720</b>
Property, plant and equipment	24.509	20.447
Transferred to deferred tax asset	24.509	20.447
	<b>0</b>	<b>0</b>
<b>Deferred tax asset</b>		
Calculated tax asset	24.509	20.447
Write-down to assessed value	-13.579	-7.727
<b>Carrying amount</b>	<b>10.930</b>	<b>12.720</b>

## 10 Equity

The share capital consists of 1,000 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

## 11 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

### Deferred income

Between 1 and 5 years	57.323	62.805
Long-term part	57.323	62.805
Within 1 year	0	0
Other deferred income	5.482	5.483
	<b>62.805</b>	<b>68.288</b>

# Notes to the Financial Statements

	2022 TDKK	2021 TDKK
<b>12 Distribution of profit</b>		
Proposed dividend for the year	55.000	0
Retained earnings	-49.972	5.349
	<b>5.028</b>	<b>5.349</b>

## 13 Contingent assets, liabilities and other financial obligations

### Contingent liabilities

There are no security and contingent liabilities at 31 December 2022.

## 14 Related parties

### Basis

#### Controlling interest

Arelion AB, Sverige

Parent Company

#### Transactions

With reference to section 98 C of the Danish Financial statements Act, the company has chosen only to disclose transaction that are not entered into at arm's length.

### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Arelion AB	Sweden

The Group Annual Report of Arelion AB may be obtained at the following address:

Evenemangsgatan 2C  
169 94 Solna - Sweden

# Notes to the Financial Statements

## 15 Accounting Policies

The Annual Report of Arelion Denmark A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in TDKK.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Arelion AB, the Company has not prepared a cash flow statement.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. 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.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences 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.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

## Income Statement

### Revenue

As basis for interpretation regarding revenue recognition, the company has applied IAS 18.

Revenue is value of delivered goods net of VAT. Income from sale of goods for resale is recognised in the income statement at the time of delivery. Deferred income are contracts with a life time exceeding more than one year.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Expenses for raw materials and consumables

Cost of sales contains all direct expenses that are indirect relation to generate revenues.

### Other external expenses

Other external expenses comprise costs, incurred in generating the revenue for the year and include expenses related to sale, representation, administration, premises, bad debt, lease payments under operating leases, etc.

### Staff expenses

Personnel costs comprise expenses incurred during the year for all costs relating to staff.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of property, plant and equipment.

### Financial income and expenses

Interest income and expense and similar items are recognised in the income statement as amounts regarding the financial year. Interest income and expense and similar items comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme etc.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in 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.

## 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:

Production buildings	10-30 years
Ducts	30 years
Cables/fibers	20 years
Fixtures and fittings, tools and equipment	3-10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### **Impairment of fixed assets**

Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount. Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

### **Receivables**

Receivables are measured at amortised cost. Write-down is made for bad debt losses.

As basis for interpretation regarding provision for losses on bad debt, the company has applied IAS 39.

### **Prepayments**

Prepayments comprise prepaid expenses concerning subsequent financial years.

### ***Dividend***

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

### **Deferred tax assets and liabilities**

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or 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 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 crystallise 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.



# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Financial debts

Liabilities including amounts owed to suppliers, group enterprises and associates and other are measured at amortised cost.

### Deferred income

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

## Financial Highlights

### Explanation of financial ratios

Return on assets

$$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$