
Telia Carrier Denmark A/S

Industrivej 15, DK-6830 Nørre Nebel

Annual Report for 1 January - 31 December 2021

CVR No 24 21 04 13

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
19/7 2022

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 Telia Carrier Denmark A/S for the financial year 1 January - 31 December 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

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, 19 July 2022

Executive Board

Kim Christer Palmroos

Board of Directors

Keld Gregers Sørensen

Kim Christer Palmroos

Staffan Gustaf Göjeryd

Johan David Ottosson

Independent Auditor's Report

To the Shareholder of Telia Carrier Denmark A/S

Opinion

We have audited the Financial Statements of Telia Carrier Denmark A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including the 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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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 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.

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.

Independent Auditor's Report

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

Copenhagen, 19 July 2022

EY

Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Birgit Morville Schrøder

statsautoriseret revisor

mne21337

Allan Nørgaard

statsautoriseret revisor

mne35501

Company Information

The Company

Telia Carrier 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
Kim Christer Palmroos
Staffan Gustaf Göjeryd
Johan David Ottosson

Executive Board

Kim Christer Palmroos

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:

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
Key figures					
Profit/loss					
Revenue	122.052	123.753	123.665	95.472	83.276
Profit/loss before financial income and expenses	4.727	4.240	3.004	3.801	605
Net financials	10	-32	22	12	-28
Net profit/loss for the year	5.349	6.210	4.255	2.179	-3.728
Balance sheet					
Balance sheet total	187.699	181.918	205.961	174.806	118.565
Equity	91.899	86.550	90.340	86.085	83.906
Investment in property, plant and equipment	14.237	16.152	24.276	25.558	3.776
Number of employees	9	12	11	10	8
Ratios					
Return on assets	2,5%	2,3%	1,5%	2,2%	0,5%
Solvency ratio	49,0%	47,6%	43,9%	49,2%	70,8%

Management's Review

Key activities

The Company's main business activity is to establish optical fibre connections and sale of these with capacity.

Development in the year

During 2021 Telia Carrier Denmark A/S became part of the new Arelion Group. The Group was formed on 1 June 2021, when Arelion AB, owned by Polhem Infra, acquired Telia Company's Carrier business. There were no major organisational changes in Telia Carrier Denmark A/S. The business has a long history and continued fairly stable in 2021 compared with 2020.

The global market for data services is experiencing volume growth and strong demand for new capacity alongside continuously falling unit prices, driven by smarter new technology. Overall, the market for main data products is expected to grow as a result of stronger demand and less price erosion. Demand is mainly being driven by the following trends, which have all been accelerated by the pandemic:

Growing bandwidth consumption. Digitisation, with an ever-increasing use of cloud and "XaaS" services, the shift to remote working/learning and bandwidth-intensive applications such as video streaming, gaming, etc., are driving demand for bandwidth from end users in both the corporate and consumer sectors.

Cloud- and Internet-based company networks. Large companies are increasingly migrating their infrastructure to various cloud services, while staff are working remotely to a greater extent. Combining this with new technology, such as software-based company networks (SD-WAN) and cloud-based security enables companies to use the Internet for data transport to a greater extent, combined with high-capacity links that connect data centre and cloud. This creates new opportunities for Arelion's key 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 in 2021 because of both cybercrime and geopolitical tensions. Customers from both Wholesale and Enterprise are looking for more solutions and better information to enable them to use their digital infrastructure securely.

Due to the current network infrastructure and the structural organization, 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.

The Company achieved a total revenue of TDKK 122,052 in 2021. The result for the year was TDKK 5,349.

On 31 December 2021 the balance sheet of the Company shows equity of TDKK 91,899.

Management's Review

Risks and Uncertainties

As part of the Arelion Group, the Company operates in a broad range of geographical product and service markets in the highly competitive and regulated telecommunications industry and is subject to a variety of risks and uncertainties. The Arelion Group manages its financial risks on the basis of a finance policy adopted by the Board of Directors. The Group's operational risks are assessed and managed primarily by the Group management and reported to the company's Board of Directors.

The Company's activities expose it to a variety of financial risks, including competitive pressure, credit risk and liquidity risk. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

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 Telia Carrier Denmark mean that the increase in bandwidth traffic and associated revenues has not translated into an increase in gross profit.

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 Telia Carrier 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.

Management's Review

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 Arlion Group has a strong market place and a strong determined owner. Telia Carrier Denmark A/S is an important keystone in the global Arelion network. We expect a positive result before tax for 2022 of approximately TDKK 4,700.

Environment

The company does not conduct any operations subject to permit or reporting requirements under the Environmental Code.

Unusual events

On 01 June 2021 Telia Company sold it's Telia Carrier Business to Polhem Infra, an infrastructure investor owned by Swedish pension funds. The new Company's immediate parent undertaking is now Arelion AB (formerly known as Oura BidCo AB) which is incorporated in Sweden. The new company brand of the newly formed Arelion Group was launched in Jan 2022. The new Arelion Group (of which all Telia Carrier legal entities are now part of) is a standalone company that will be able to give increased focus to its mission to simplify connectivity for operators, content providers and enterprises.

2021 has been another year of challenge.

The most obvious challenge as of course COVID-19 and throughout the pandemic Telia Carrier has remained resilient, keeping its operating going, workplaces running and enabling people to stay touch with loved ones.

The Company's overall performance in 2021 was impacted by the pandemic, among other things like regulatory effects, rapidly changing customer behavior and continued price pressure.

The Company will continue improving the core business by offering total solutions combining the best from IT with the best from telecoms fitting the customer's unique prerequisites.

Management's Review

Subsequent events

The Covid-19 pandemic meant that data traffic remained at a higher level during 2021, while Voice traffic was at a lower level because of reduced roaming resulting from less travel. Overall, these effects were at the expected level. Going forward, most countries, including Denmark, have withdrawn restrictions to contain the pandemic. The generally high vaccination rate has a positive impact on economic development, and so far, we do not see negative effects on our business development.

So far, the Russian intervention in Ukraine has not had any significant impact on our business development, as the company does not conduct any operations subject to permit or reporting requirements under existing sanction regimes.

Equipment supply – We can work with suppliers and order in sufficient time, so that whilst lead times have increased, it is not severely impacting our business

Costs / Inflationary pressure - inflation is higher than in previous years and will impact elements of our cost. As a management team we believe we have sufficient revenue inflation to cover cost increases.

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

Income Statement 1 January - 31 December

	Note	2021 TDKK	2020 TDKK
Revenue		122.052	123.753
Expenses for raw materials and consumables		-90.190	-92.183
Other external expenses		<u>-1.467</u>	<u>-1.298</u>
Gross profit/loss		30.395	30.272
Staff expenses	2	-9.311	-10.327
Depreciation, amortisation and impairment of property, plant and equipment	3	<u>-16.357</u>	<u>-15.705</u>
Profit/loss before financial income and expenses		4.727	4.240
Financial income	4	27	0
Financial expenses	5	<u>-17</u>	<u>-32</u>
Profit/loss before tax		4.737	4.208
Tax on profit/loss for the year	6	<u>612</u>	<u>2.002</u>
Net profit/loss for the year		<u>5.349</u>	<u>6.210</u>

Balance Sheet 31 December

Assets

	Note	2021 TDKK	2020 TDKK
Land and buildings		7.876	8.517
Other fixtures and fittings, tools and equipment		92.877	97.331
Property, plant and equipment in progress		5.597	2.923
Property, plant and equipment	7	106.350	108.771
Fixed assets		106.350	108.771
Trade receivables		22.247	2.683
Receivables from group enterprises		40.945	52.207
Other receivables		17	1.767
Deferred tax asset	8	12.720	12.108
Prepayments		5.420	4.382
Receivables		81.349	73.147
Currents assets		81.349	73.147
Assets		187.699	181.918

Balance Sheet 31 December

Liabilities and equity

	Note	2021 TDKK	2020 TDKK
Share capital	9	1.000	1.000
Retained earnings		90.899	85.550
Equity		91.899	86.550
Deferred income		62.805	60.932
Long-term debt	10	62.805	60.932
Trade payables		14.298	4.973
Payables to group enterprises		106	16.328
Other payables		13.108	5.064
Deferred income	10	5.483	8.071
Short-term debt		32.995	34.436
Debt		95.800	95.368
Liabilities and equity		187.699	181.918
Unusual events	1		
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Accounting Policies	14		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	1.000	85.550	86.550
Net profit/loss for the year	0	5.349	5.349
Equity at 31 December	1.000	90.899	91.899

Notes to the Financial Statements

1 Unusual events

2021 has been another year of challenge. The most obvious challenge was of course COVID-19 and throughout the pandemic Telia Carrier Denmark A/S has remained resilient, keeping its operating going, workplaces running and enabling people to stay touch with loved ones.

The Company's overall performance in 2021 was impacted by the pandemic, among other things like regulatory effects, rapidly changing customer behavior and continued price pressure.

The Company will continue improving the core business by offering total solutions combining the best from IT with the best from telecoms fitting the customer's unique prerequisites

2 Staff expenses

	2021 TDKK	2020 TDKK
Wages and salaries	7.518	8.493
Pensions	806	871
Other social security expenses	232	114
Other staff expenses	755	849
	9.311	10.327
Average number of employees	9	12

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

3 Depreciation, amortisation and impairment of property, plant and equipment

Depreciation of property, plant and equipment	16.357	15.705
	16.357	15.705

4 Financial income

Other financial income	27	0
	27	0

Notes to the Financial Statements

	2021 TDKK	2020 TDKK		
5 Financial expenses				
Other financial expenses	17	32		
	17	32		
6 Tax on profit/loss for the year				
Current tax for the year	0	0		
Deferred tax for the year	-612	-2.002		
	-612	-2.002		
7 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	389.712	2.923	402.780
Additions for the year	0	8.992	5.245	14.237
Disposals for the year	0	-537	0	-537
Transfers for the year	0	2.571	-2.571	0
Cost at 31 December	10.145	400.738	5.597	416.480
Impairment losses and depreciation at 1 January	1.628	292.381	0	294.009
Depreciation for the year	641	15.716	0	16.357
Reversal of impairment and depreciation of sold assets	0	-236	0	-236
Impairment losses and depreciation at 31 December	2.269	307.861	0	310.130
Carrying amount at 31 December	7.876	92.877	5.597	106.350

Notes to the Financial Statements

	2021 TDKK	2020 TDKK
8 Deferred tax asset		
Deferred tax asset at 1 January	12.108	10.106
Amounts recognised in the income statement for the year	612	2.002
Deferred tax asset at 31 December	12.720	12.108
Property, plant and equipment	20.447	26.961
Transferred to deferred tax asset	20.447	26.961
	0	0
Deferred tax asset		
Calculated tax asset	20.447	26.961
Write-down to assessed value	-7.727	-14.853
Carrying amount	12.720	12.108

9 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.

10 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	62.805	60.932
Long-term part	62.805	60.932
Within 1 year	0	0
Other deferred income	5.483	8.071
	68.288	69.003

Notes to the Financial Statements

	2021 TDKK	2020 TDKK
11 Distribution of profit		
Retained earnings	5.349	6.210
	5.349	6.210

12 Contingent assets, liabilities and other financial obligations

Contingent liabilities

Telia Carrier Denmark has left the Telia Group after the purchase. Therefor the company left the joint taxation group of Telia Denmark A/S and will prepare its own tax return for the year ending 31 December 2021.

There are no security and contingent liabilities at 31 December 2021.

Notes to the Financial Statements

13 Related parties

	<u>Basis</u>
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:

<u>Name</u>	<u>Place of registered office</u>
Arelion AB	Sweden

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

c/o Telia Carrier AB
169 94 Solna
Sweden

Notes to the Financial Statements

14 Accounting Policies

The Annual Report of Telia Carrier Denmark A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2021 are presented in TDKK.

The Company has chosen to regroup accrued expenses related to intercompany from Other payables to Trade payables and Payables to group enterprises in Short-term debt - Liabilities. This regrouping has led to a change in the compare figures from 2020 but the total amount for Liabilities is unchanged.

Except for the above, the accounting policies applied remain unchanged from last year.

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.

Notes to the Financial Statements

14 Accounting Policies (continued)

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.

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

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.

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

14 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.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

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

14 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.

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

14 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

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