

DLG Tele I/S

Holmbladsgade 139

2300 København S

Central Business Registration No

25813286

Annual report 2016

Adopted on 07.06.2017

Chairman of the Board of Directors

Name: Morten Hjorth Bentzen

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Entity details

Entity

DLG Tele I/S
Holmbladsgade 139
2300 København S

Central Business Registration No: 25813286

Registered in: København

Financial year: 01.01.2016 - 31.12.2016

Phone: +4533698700

Board of Directors

Morten Hjorth Bentzen, Chairman

Ole Stenkil

Carsten Dyrup Revsbech

Executive Board

Christoph Nørgaard-Salomonsen, Chief Executive Officer

Bank

Danske Bank
Holmens Kanal 2-12
1092 København K

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of DLG Tele I/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 07.06.2017

Executive Board

Christoph Nørgaard-
Salomonsen
Chief Executive Officer

Board of Directors

Morten Hjorth Bentzen
Chairman

Ole Stenkil

Carsten Dyrup Revsbech

Independent auditor's report

To the shareholders of DLG Tele I/S

Opinion

We have audited the financial statements of DLG Tele I/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 07.06.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Christian Sanderhage
state-authorized public accountant

Henrik Hartmann Olesen
state-authorized public accountant

Management commentary

	2016	2015	2014	2013	2012
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	372.797	419.062	437.639	429.142	422.389
Gross profit/loss	103.350	81.986	86.602	78.206	75.541
Operating profit/loss	100.265	77.595	82.312	76.901	775.527
Net financials	60	200	(49)	3	(18)
Profit/loss for the year	100.325	77.795	82.263	76.904	75.509
Total assets	128.434	86.941	101.549	111.856	98.824
Investments in property, plant and equipment	0	0	0	0	3.501
Equity	100.325	77.795	82.263	90.905	68.395
Ratios					
Gross margin (%)	27,7	19,6	19,8	18,2	17,9
Net margin (%)	26,9	18,6	18,8	17,9	17,9
Return on equity (%)	112,6	97,2	95,0	0,0	110,4
Equity ratio (%)	78,1	89,5	81,0	81,3	69,2

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Partnership's primary activities are to carry on business on the market for mobile and fixed-line telephony, internet, broadband and television as well as other related activities.

Development in activities and finances

Results for 2016 shows a profit before tax of DKK 100.325 thousand which is considered satisfactory.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Revenue		372.797	419.062
Costs of raw materials and consumables		(195.971)	(264.861)
Other external expenses		<u>(73.476)</u>	<u>(72.215)</u>
Gross profit/loss		103.350	81.986
Depreciation, amortisation and impairment losses	1	<u>(3.085)</u>	<u>(4.391)</u>
Operating profit/loss		100.265	77.595
Other financial income		61	201
Other financial expenses		<u>(1)</u>	<u>(1)</u>
Profit/loss for the year	2	<u>100.325</u>	<u>77.795</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Acquired intangible assets		321	549
Goodwill		5.713	8.570
Intangible assets	3	<u>6.034</u>	<u>9.119</u>
Fixed assets		<u>6.034</u>	<u>9.119</u>
Manufactured goods and goods for resale		40	40
Inventories		<u>40</u>	<u>40</u>
Trade receivables		50.504	55.185
Other receivables		2.123	311
Prepayments	4	9.211	10.999
Receivables		<u>61.838</u>	<u>66.495</u>
Cash		<u>60.522</u>	<u>11.287</u>
Current assets		<u>122.400</u>	<u>77.822</u>
Assets		<u>128.434</u>	<u>86.941</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Retained earnings		100.325	77.795
Equity		100.325	77.795
Trade payables		5.554	4.981
Payables to group enterprises		21.496	593
Other payables		1.059	3.572
Current liabilities other than provisions		28.109	9.146
Liabilities other than provisions		28.109	9.146
Equity and liabilities		128.434	86.941

Related parties with controlling interest

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Statement of changes in equity for 2016

	Retained earnings DKK'000
Equity beginning of year	77.795
Other equity postings	(77.795)
Profit/loss for the year	<u>100.325</u>
Equity end of year	<u>100.325</u>

Notes

	2016	2015
	DKK'000	DKK'000
1. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	3.085	4.391
	3.085	4.391

	2016	2015
	DKK'000	DKK'000
2. Proposed distribution of profit/loss		
Retained earnings	100.325	77.795
	100.325	77.795

	Acquired intangible assets	Goodwill
	DKK'000	DKK'000
3. Intangible assets		
Cost beginning of year	4.821	14.284
Cost end of year	4.821	14.284
Amortisation and impairment losses beginning of year	(4.272)	(5.714)
Amortisation for the year	(228)	(2.857)
Amortisation and impairment losses end of year	(4.500)	(8.571)
Carrying amount end of year	321	5.713

4. Prepayments

Prepayments consist of prepaid expenses concerning subscriptions.

5. Related parties with controlling interest

Related parties with controlling interest consists of Telia Nättjänster Norden AB, Farsta, Sverige. In Denmark Telia Nättjänster Norden AB, Farsta, Sverige has primarialy activities via its branch TeliaSonera Danmark, branch of TeliaSonera AB

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity 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 Entity, and the value of the liability 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 financial statement 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, whereas costs are recognised by the amounts attributable to this financial year.

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 rate 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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Income from telephony is recognised at the time when the call is made. Income from subscriptions and fixed-price consumption-related services is recognised over the period of the subscription. Income from the sale of equipment is recognised at the time of delivery.

Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including stationery and office supplies, marketing costs, etc.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing.

Other financial income

Other financial income comprises interest income and are recognised in the income statement by the amounts relating to the financial year.

Other financial expenses

Other financial expenses comprise interest expenses and is recognised in the income statement by the amounts relating to the financial year.

Balance sheet

Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is five years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise acquired software.

Software is measured at cost less accumulated amortisation. Software is amortised straightline over its estimated useful life, which is three years.

Software is written down to the lower amount of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Accounting policies

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, the Partnership has not prepared any cash flow statement as the Partnership is included in the cash flow statement for TeliaSonera AB, Sweden.