



Hi3G Denmark ApS


CVR-nr. 26 12 34 45

Annual Report for 2017

3
Birgitte Lund
CFO
Hi3G Denmark ApS
Scandiagade 8
2450 København SV

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The Annual Report was presented and adopted at the Annual General Meeting of the Company on 25 May 2018



Chairman

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Management's Statement on the Annual Report

The Executive Board and Board of Directors have today considered and adopted the Annual Report of HI3G Denmark ApS for the financial year 1 January - 31 December 2017.

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 of the Company at 31 December 2017 and of the results of the Company's operations and Cash flows for 2017.

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

Copenhagen, 25 May 2018

Executive Board

Peder Ramel


Morten Christiansen

Board of Directors


Canning-Fok
Chairman

Christian Cederholm

Adine Grate-Axén

Lennart Johansson


Frank Sixt

Peder Ramel

Christian Salbaing

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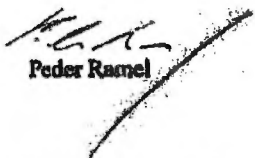
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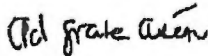

Peder Ramel

Morten Christiansen

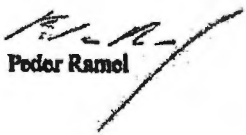
Board of Directors

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Chairman

Christian Cederholm


Adino Grato-Axén

Leuzart Johanson


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Morten Christiansen

Board of Directors

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Chairman

v/

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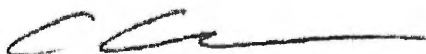
Morten Christiansen

Board of Directors

Casning Fok
Chairman



Kennart Johansson



Christian Cederholm

Adine Grais-Axén

Peder Ramel

Christian Salberg

Frank Slet

Independent Auditor's Report

To the Shareholders of Hi3G Denmark ApS

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Hi3G Denmark ApS for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 are independent of the Company in accordance with the International Ethics Standards Board for 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.

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.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

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.

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

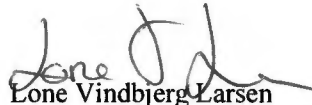
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.

Copenhagen, 25 May 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 77 12 31



Ulrik Ræbild
State Authorised Public Accountant
mne33262



Lone Vindbjerg Larsen
State Authorised Public Accountant
mne34548

Company Information

The Company

Hi3G Denmark ApS
Scandiagade 8
DK-2450 København SV

Telephone: +45 33 33 01 35

Website: www.3.dk

CVR no: 26 12 34 45

Financial year: 1 January - 31 December

Municipality of
reg. office: Copenhagen

Board of Directors

Canning Fok, Formand (*Chairman*)
Christian Cederholm
Adine Grate-Axén
Lennart Johansson
Peder Ramel
Christian Salbaing
Frank Sixt

Executive Board

Peder Ramel
Morten Christiansen

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Financial Highlights

The development of the Company is described by the following financial highlights:

	2017	2016	2015	2014	2013
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statement					
Revenue	2 865 456	3 202 894	2 867 310	3 069 704	2 761 423
Gross profit	1 564 695	1 574 036	1 500 958	1 486 052	1 466 987
Operating profit	44 206	430 163	388 692	441 557	433 085
Net financial items	(30 059)	(28 388)	(42 486)	(83 114)	(95 505)
Profit before income taxes	14 147	401 775	346 206	358 443	337 580
Income taxes	(3 193)	(71 585)	(75 769)	-	-
Profit for the year	10 954	330 190	270 437	358 443	337 580
Balance sheet					
Investment in tangible fixed assets	184 646	192 769	145 544	174 628	234 755
Balance sheet total	4 376 683	4 313 003	4 081 638	4 531 673	4 506 892
Equity	3 217 804	3 206 850	2 876 660	2 606 365	2 246 579
Average number of employees	669	649	685	688	624
Ratios					
Return on total assets	1%	10%	10%	10%	10%
Solvency ratio	74%	74%	70%	58%	50%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Comments from Morten Christiansen CEO

2017 has been yet another year with heavy competition in the market, but 3 Denmark has continued to grow the customer base and ended 2017 with 1,274,405 customers; equivalent to an increase of 6%.

The substantial driver for the growth in the customer base has - again - been expansion of our successful and market-leading '3 LikeHome' offer. In 2017 we included among others China, Thailand, Macao, Sri Lanka and Indonesia on top of EU, USA, Canada, Australia, New Zealand, Singapore and more, equaling 53 countries. China was a particular request from our Business Customers.

3 reached a market share of 16% in voice and mobile data (excluding prepaid and M2M), and the Company continues to maintain a strong position in mobile data in Denmark with 22.8% of all mobile data traffic carried by our network.

In order to expand and enhance our network and customer experience we invested mDKK 173 in 2017 (2016: mDKK 189) in the network, which corresponds to an investment rate of 6%.

In Q4 2017 we received a decision from SKAT concerning VAT. We have paid a one-off amount of mDKK 418 and fully expensed the amount in the income statement in 2017. We disagree with SKAT's interpretation of the law and – have therefore appealed the decision to clarify our position.

Revenue fell 11% from mDKK 3,203 in 2016 to mDKK 2,865 in 2017 due to lower level of 'handset without subscription' sales. As in previous years we continue to focus on efficiency, and again, we have managed to keep costs at an overall flat level.

Profit before income taxes fell from mDKK 402 in 2016 to mDKK 14 due to VAT one-off. Adjusted for VAT one-off Profit before income taxes increased from mDKK 402 in 2016 to mDKK 432 which corresponds to a 7% growth and this is in line with our expectations.

Future development

In the year to come, our focus will – as always – be on improving the customer experience. A number of actions in 2018 will add to this:

We continue our 4G+ rollout in order to utilize all acquired spectrum in the last 1800MHz auction for our customers' increased data usage. We will continue coverage deployment to increase our footprint in the rural areas, and capacity deployment in the urban/suburban areas to support the higher demand for data, and prepare the ground for 5G.

In 2018 we will continue our expansion of '3 LikeHome' and as of March 2018 added Mexico, Brazil, Argentina and Chile. More will come later in 2018.

To further strengthen our position as "the operator to take abroad" and because it has been a request from our Business Customers, we will include IDD calls in our new 3LikeHome price plans for Business Customers.

Our expectations for 2018 is a gross profit between mDKK 1,550 and 1,750.

Financing

In the past five fiscal years, the Company did not require any further financing as its activities have generated sufficient cash from operations and contributed substantially to the repayment of the shareholder loan relating to the Scandinavian Group.

Statutory Report on Social Responsibility and Gender Composition in Management , cf. Section 99a and 99b respectively of the Danish Financial Statements Act

In accordance with the policies, Hi3G Denmark works actively with a range of sustainability areas; in particular, with the environment and Human Rights. More information is available in the 3 Denmark CSR-report 2017 here:

<https://www.3.dk/om3/om-virksomheden/>

Significant events after the year-end

No significant events have occurred after the balance sheet date, which are considered to have a significant impact on the assessment of the annual report.

Proposed distribution of profit

The Board of Directors recommends that the Annual General Meeting approve the carry-forward of the results for the financial year.

Accounting Policies

Basis of Preparation

The Annual Report of Hi3G Denmark ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied are unchanged from previous year.

All accounting figures in this report are stated in thousands DKK.

Recognition and measurement

The Financial Statements have been prepared on the historical cost basis.

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

Translation policies

Transactions in foreign currencies are translated during the year at the exchange rates ruling at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates ruling at the balance sheet date. Any differences between the exchange rates ruling at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Income Statement

Revenue

Revenue is recognised exclusive of VAT and net of discounts directly relating to sales.

The major sources of income are recognised in the income statement as follows:

- Income from telephone related services is recognised at the time of the consumption.
- Subscription income is recognised over the duration of the subscription.
- Income on sale of equipment is recognised at the date of delivery.

Cost of sales

Cost of sales comprises expenses directly related to the revenue, including direct costs related to the establishment of customer relations.

External expenses

External expenses comprises indirect production costs and expenses for premises, sales and distribution as well as office expenses and similar costs.

Staff costs

Staff costs comprises wages and salaries as well as payroll expenses.

Other income and expenses

Other income and expenses comprises items of a secondary nature in relation to the Company's principal activity.

Depreciation and amortisation

Depreciation and amortisation comprise depreciation and amortisation of tangible and intangible fixed assets as well as gains and losses from disposal of fixed assets.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, as well as extra payments and repayment under the on-account taxation scheme.

Income taxes

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity entries is recognised directly in equity.

The Company is jointly taxed with Danish group companies. The tax effect of the joint taxation with the companies is allocated to companies showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance Sheet**Intangible fixed assets*****Development projects***

Costs of development projects comprise expenses directly or indirectly attributable to the Company's development activities, including the cost of related software licences.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development projects are measured at the lower of cost less accumulated amortisation and the recoverable amount.

Capitalised development projects, including the costs of software licences, are amortised on a straight-line basis over the expected useful life, normally 5 years.

Licences and similar rights

Licences and similar rights to software are measured at the lower of cost less accumulated amortisation and value in use.

Interest expenses on loans for financing the acquisition of intangible fixed assets are capitalised at cost until commercial launch. All indirectly attributable loan expenses are recognised in the income statement.

Licences are amortised over the license period up to 20 years from commercial launch. Amortisation commences in connection with the commercial use of the Company's products.

Rental rights

Rental rights is measured at cost less accumulated amortisation.

Rental rights is amortised on a straight-line basis over the expected useful life, normally 5 years.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour and materials.

Interest expenses on the financing of tangible fixed assets are capitalised at cost until commercial launch. All indirectly attributable loan expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual values is calculated on a straight line basis over the expected useful lives of the assets on the basis of the date on which the assets are put into use. These depreciation periods are as follows:

Network infrastructure	5/20/40 years
Equipment	3/5 years
Leasehold improvements	3/5 years

The useful lives and residual values of the assets are reassessed on a yearly basis.

Gains and losses on retirements and disposals of tangible fixed assets are included in depreciation and amortisation of tangible and intangible fixed assets in the income statement.

Investments in joint ventures

Investments in joint ventures are measured at cost and reported in the balance sheet as financial assets.

The item "Income from investment in joint ventures" in the income statement includes dividends received from investments in joint ventures in the financial year when the dividends are distributed.

Where cost exceeds the recoverable amount, the carrying amount is written down to the recoverable amount.

Impairment of fixed assets

The carrying amounts of both intangible and tangible fixed assets are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, the asset is written down to its recoverable amount. The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Assets for which a value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Inventories

Inventories are valued at the lower of net realisable value or the weighted average cost.

Receivables

Receivables are recognised in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Deferred tax

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets 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 materialise 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.

Prepayments

Prepayments include expenses incurred in respect of subsequent financial years, including fair value adjustments of derivative financial instruments with a positive fair value, prepaid expenses concerning rent, insurance premiums, subscriptions, interest and similar items.

Equity

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

Financial liabilities

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

Deferred income

Deferred income mainly comprises sale of prepaid products and accrued subscription income.

Statement of cash flow

The statement of cash flow shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less trade and other payables, deferred income and short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of tangible and intangible fixed assets as well as financial asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholder. Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Ratios

The financial ratios have been calculated as follows:

$$\begin{array}{l} \text{Return on total assets} \\ \text{Solvency ratio} \end{array} = \frac{\text{Operating profit} \times 100}{\text{Total assets}} = \frac{\text{Equity at year end} \times 100}{\text{Total assets}}$$

Income Statement 1 January – 31 December

	Note	2017 DKK '000	2016 DKK '000
Revenue	2	2 865 456	3 202 894
Cost of sales		(1 300 761)	(1 628 858)
Gross profit		1 564 695	1 574 036
External expenses	6	(626 678)	(637 928)
Staff costs	3	(307 776)	(304 494)
Other income		14 747	17 239
Other expenses	4	(337 595)	0
Operating profit before depreciations and amortisation		307 393	648 853
Depreciation and amortisation	5	(263 187)	(218 690)
Operating profit		44 206	430 163
Income from investment in joint ventures	11	350	0
Financial income	7	361	407
Financial expenses	8	(30 770)	(28 795)
Profit before income taxes		14 147	401 775
Income taxes	12	(3 193)	(71 585)
Profit for the year		10 954	330 190

Balance Sheet at 31 December

Assets	<u>Note</u>	<u>2017</u> DKK '000	<u>2016</u> DKK '000
Completed development projects		28 039	36 179
Development projects under construction		15 994	5 365
License and similar rights		549 083	625 614
Rental rights		423	820
Intangible fixed assets	9	<u>593 539</u>	<u>667 978</u>
Network infrastructure		2 408 732	2 385 394
Equipment		16 206	11 798
Leasehold improvements		2 912	2 398
Assets under construction		44 712	60 949
Tangible fixed assets	10	<u>2 472 562</u>	<u>2 460 539</u>
Investment in joint ventures	11	11 499	11 499
Deposits		39 555	33 468
Financial asset investments		<u>51 054</u>	<u>44 967</u>
Fixed assets		<u>3 117 155</u>	<u>3 173 484</u>
Inventories		<u>57 074</u>	<u>62 198</u>
Trade receivables		297 821	236 862
Receivables from group enterprises		93 653	43 346
Other receivables		44 611	56 336
Deferred tax assets	12	545 285	551 827
Prepayments		157 213	170 127
Receivables		<u>1 138 583</u>	<u>1 058 498</u>
Cash at bank and in hand	13	<u>63 871</u>	<u>18 823</u>
Current assets		<u>1 259 528</u>	<u>1 139 519</u>
Assets		<u>4 376 683</u>	<u>4 313 003</u>

Balance Sheet at 31 December

	Note	2017	2016
		DKK '000	DKK '000
Liabilities and equity			
Share capital	14	64 375	64 375
Reserve for development costs capitalised		44 033	41 544
Retained earnings		3 109 396	3 100 931
Equity		3 217 804	3 206 850
Long-term debt	15	172 442	200 231
Long-term liabilities		172 442	200 231
Current part of long-term debt	15	30 016	32 269
Trade payables		241 008	327 984
Payables to group enterprises		504 819	473 525
Tax payable		1 151	9 620
Other payables		128 985	59 372
Deferred income		80 458	3 152
Current liabilities		986 437	905 922
Liabilities		1 158 879	1 106 153
Liabilities and equity		4 376 683	4 313 003

Other notes

Events after the balance sheet date	1
Adjustment for non-cash items	16
Change in working capital	17
Contractual obligations	18
Contingent assets and liabilities	19
Related parties	20
Distribution of profit	21

Statement of changes in equity

	Share capital	Reserve for development costs capitalised	Retained earnings	Total
	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January 2017	64 375	41 544	3 100 931	3 206 850
Net profit for the year	0	2 489	8 465	10 954
Equity at 31 December 2017	64 375	44 033	3 109 396	3 217 804
Equity at 1 January 2016	64 375	36 411	2 775 874	2 876 660
Net profit for the year	0	5 133	325 057	330 190
Equity at 31 December 2016	64 375	41 544	3 100 931	3 206 850

Statement of cash flows

	Notes	2017	2016
		DKK '000	DKK '000
Profit for the year		10 954	330 190
Adjustment for non-cash items	16	296 437	318 661
Change in working capital	17	(21 558)	25 501
Financial income		361	407
Financial expenses		(30 770)	(28 795)
Income tax paid		(5 120)	(3 030)
Cash flow from operating activities		250 304	642 934
Investments in intangible assets		(16 125)	(307 947)
Investments in property, plant and equipment		(184 646)	(195 295)
Sale of intangible assets		0	0
Sale of property, plant and equipment		0	0
Investment in joint ventures and other financial assets		(5 737)	(7 000)
Cash flow from investing activities		(206 508)	(510 242)
Repayment of loans to group enterprises		0	(396 799)
Proceeds from loans from group enterprises		31 294	0
Repayment of loans		(30 042)	0
Proceeds from loans		0	232 500
Cash flow from financing activities		1 252	(164 299)
Total cash flow		45 048	(31 607)
Cash and cash equivalents at 1 January		18 823	50 430
Cash and cash equivalents at 31 December		63 871	18 823

Notes to the Financial Statements

1 Events after the balance sheet date

No significant events have occurred after the balance sheet date, which is considered to have a significant impact on the assessment of the annual report.

2 Revenue

All activities are limited to the Danish market. The internal reporting does not segregate revenue in underlying segments or geographic areas.

	<u>2017</u>	<u>2016</u>
	DKK '000	DKK '000
3 Staff costs		
Wages and salaries	299 070	296 257
Pensions	23 339	22 411
Other social security expenses	3 724	4 979
	<u>326 133</u>	<u>323 647</u>
Of which capitalised	<u>(18 357)</u>	<u>(19 153)</u>
	<u>307 776</u>	<u>304 494</u>
Of this remuneration to executive Board and Supervisory Board:		
Salaries, bonus and pensions	<u>16 615</u>	<u>20 265</u>
	<u>16 615</u>	<u>20 265</u>
A part of the remuneration to executive Board and Supervisory Board is paid by the Company's Swedish parent company.		
Average number of employees	<u>669</u>	<u>649</u>
4 Other expenses		
VAT one-off	<u>337 595</u>	<u>0</u>
	<u>337 595</u>	<u>0</u>

	2017	2016
	DKK '000	DKK '000
5 Depreciation and amortisation of tangible and intangible fixed assets		
Completed development projects	13 636	11 660
Licenses and similar rights	76 531	44 614
Rental rights	397	411
Network infrastructure	165 885	156 361
Equipment	5 662	4 430
Leasehold improvements	1 076	1 214
Loss connected to disposal of fixed assets	0	0
	263 187	218 690
6 Fees to auditor elected by the Annual General Meeting		
Audit fee	1 033	1 040
Tax advisory services	870	711
Other services	803	75
	2 706	1 826
7 Financial Income		
Other financial income	361	407
	361	407
8 Financial expenses		
Interest paid to group enterprises	9 179	10 467
Exchange rate adjustments	1 744	0
Other financial expenses	19 847	18 328
	30 770	28 795

9 Intangible fixed assets

	Completed development projects	Development projects under construction
	DKK '000	DKK '000
Cost at 1 January 2017	336 320	5 365
Reclassifications	-	0
Additions for the year	-	16 125
Transfers for the year	5 496	(5 496)
Cost at 31 December 2017	<u>341 816</u>	<u>15 994</u>
Amortisation at 1 January 2017	300 141	0
Amortisation for the year	13 636	0
Disposals for the year	0	0
Amortisation at 31 December 2017	<u>313 777</u>	<u>0</u>
Carrying amount 31 December 2017	<u>28 039</u>	<u>15 994</u>
Of which capitalised interest	<u>0</u>	<u>0</u>

The Company capitalise cost relating to development of new software and systems. The projects are in general short term projects running less than 12 months. Projects under construction are running as planned.

9 Intangible fixed assets (continued)

	<u>Rental rights</u>	<u>Licences and similar rights</u>
	DKK '000	DKK '000
Cost at 1 January 2017	28 932	1 184 247
Additions for the year	0	0
Disposals for the year	0	0
Transfers for the year	0	0
Cost at 31 December 2017	<u>28 932</u>	<u>1 184 247</u>
Amortisation at 1 January 2017	28 112	558 633
Amortisation for the year	397	76 531
Disposals for the year	0	0
Amortisation at 31 December 2017	<u>28 509</u>	<u>635 164</u>
Carrying amount 31 December 2017	<u>423</u>	<u>549 083</u>

10 Tangible fixed assets

	Network infrastructure DKK '000	Assets under construction DKK '000
Cost at 1 January 2017	3 734 602	60 949
Additions for the year	0	172 986
Disposals for the year	(46)	0
Transfers for the year	189 223	(189 223)
Cost at 31 December 2017	<u>3 923 779</u>	<u>44 712</u>
Depreciation at 1 January 2017	1 349 208	0
Depreciation for the year	165 885	0
Disposals for the year	(46)	0
Depreciation at 31 December 2017	<u>1 515 047</u>	<u>0</u>
Carrying amount 31 December 2017	<u>2 408 732</u>	<u>44 712</u>
Of which capitalised interest	<u>0</u>	<u>0</u>
	Equipment DKK '000	Leasehold improvements DKK '000
Cost at 1 January 2017	58 867	30 047
Additions for the year	10 070	1 590
Disposals for the year	0	0
Reclassifications	0	0
Cost at 31 December 2017	<u>68 937</u>	<u>31 637</u>
Depreciation at 1 January 2017	47 069	27 649
Depreciation for the year	5 662	1 076
Disposals for the year	0	0
Depreciation at 31 December 2017	<u>52 731</u>	<u>28 725</u>
Carrying amount 31 December 2017	<u>16 206</u>	<u>2 912</u>

11 Investment in joint ventures

	<u>2017</u> DKK '000	<u>2016</u> DKK '000
Cost at 1 January	18 691	11 691
Additions for the year	-	7 000
Disposals for the year	0	0
Cost at 31 December	<u>18 691</u>	<u>18 691</u>
Revaluations at 1 January	(7 192)	(7 192)
Adjustments for the year	0	0
Revaluations at 31 December	<u>(7 192)</u>	<u>(7 192)</u>
Carrying amount 31 December	<u>11 499</u>	<u>11 499</u>

Investment in joint ventures is specified as follows:

<u>Name</u>	<u>Place of registered office</u>	<u>Equity</u> DKK '000	<u>Votes and ownership</u>	<u>Net result</u> DKK '000
4T af 1. oktober 2012 ApS	Copenhagen Denmark	13 315	25%	1 618
OCH A/S	Copenhagen Denmark	1 734	25%	685

	2017	2016
	DKK '000	DKK '000
12 Deferred tax assets		
Deferred tax 1 January	551 827	614 363
Deferred tax for the year	(1 637)	(62 536)
Adjustment from prior years	(4 905)	0
Deferred tax 31 December	545 285	551 827

The deferred tax asset is specified as follows:

Arising from deferred tax losses	618 928	615 692
Arising from accelerated depreciation allowances	(76 336)	(69 554)
Arising from deductible temporary differences	2 693	5 689
	545 285	551 827

Changes in Income Statement

Current tax for the year	(1 655)	(9 620)
Deferred tax for the year	(1 637)	(78 309)
Recognition of non-recognised deferred tax asset	-	10 153
Prior year adjustments	99	6 191
Tax effect for the year	(3 193)	(71 585)

The recognised deferred tax assets consist of taxable losses, which are expected to be utilised within 10 years through income generated from the ordinary business. The tax losses are a result of the significant investment the Company has made to become a significant mobile operator on the Danish market.

Expected utilisation of deferred tax asset:

0-1 year	62 700	86 350
> 1 year	482 585	465 477
	545 285	551 827

	<u>2017</u> DKK '000	<u>2016</u> DKK '000
13 Cash at bank and in hand		
Cash at bank and in hand	63 871	18 823
	<u>63 871</u>	<u>18 823</u>

The Company has entered a cash pool with its parent company which means that available cash on cash pool accounts is collected by the parent company until it is needed. The cash pool accounts is recorded as receivables from group enterprises.

14 Share capital

Analysis of the Company's share capital, DKK 64 375 000

64 375 class A shares of DKK 1 000 each	64 375	64 375
	<u>64 375</u>	<u>64 375</u>

The share capital has not changed in the last 5 years.
All shares have the same share class.

15 Long-term debt

Outstanding debt after 5 years	29 275	58 481
Repayment between 1 and 5 years	143 167	141 750
Long-term debt	<u>172 442</u>	<u>200 231</u>
Current part of long-term debt	30 016	32 269
	<u>202 458</u>	<u>232 500</u>

16 Adjustment for non-cash items

Financial income	(361)	(407)
Financial expenses	30 770	28 795
Depreciation and amortisation	263 187	218 690
Income taxes	3 193	71 585
Income from investment in joint ventures	(350)	0
Other adjustments	(2)	(2)
	<u>296 437</u>	<u>318 661</u>

	2017	2016
	DKK '000	DKK '000
17 Change in working capital		
Change in inventories	5 124	5 177
Change in receivables	(86 627)	(39 134)
Change in trade payables, etc.	59 945	59 458
	<u>(21 558)</u>	<u>25 501</u>
18 Contractual obligations		
Rental and lease obligations from operating leases.		
Total future rental and lease payments:		
Within 1 year	128 478	96 731
Between 1 and 5 years	309 005	244 153
More than 5 years	96 674	100 606
	<u>534 157</u>	<u>441 490</u>

19 Contingent assets and liabilities

The Company is jointly taxed with the other Danish companies in the Group. The joint taxation also covers withholding taxes in the form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and individually liable for the joint taxation. Any subsequent adjustments to income taxes and withholding taxes may lead to a larger liability. The tax for the individual companies is allocated in full on the basis of the expected taxable income.

The Company is involved in certain disputes with customers, suppliers and business partners. The Company has received a decision from SKAT concerning VAT on services. It is Management's assessment that the Company's VAT treatment on these services is in line with the current legislations. As a result, Management has appealed the decision. Although the final outcome of these matters cannot be predicted, management believes that none of these cases could have a significant negative impact on the Company's results, financial position or cash flow.

20 Related parties

Controlling interest	<u>Controlling shareholder</u>
Hi3G Denmark Holdings ApS Scandiagade 8 DK-2450 København SV	Controlling shareholder
Hi3G Access AB Lindhagensgatan 98 SE-104 25 Stockholm	Controlling interest
CK Hutchison Holdings Limited 22nd Floor, Hutchison House 10 Harcourt Road Hong Kong	Ultimate parent company

Transactions

Commercial terms and market prices apply for sale and purchases of goods and services between group companies.

Some of the Company's investments are made jointly with other telecom companies within the CK Hutchison Holdings Limited Group ("CK Hutchison Holdings group").

During the year, the Company purchased services from other companies within the CK Hutchison Holdings group, amounting to DKK 224,804k (2016: DKK 218,686k). These have either been expensed directly or booked as assets.

Other transactions with related parties

At year-end, the outstanding payable due to purchase of goods and services from the CK Hutchison Holdings group companies amounted to DKK 16,724k (2016: DKK 31,759k). The outstanding receivable was DKK 93,652k (2016: DKK 43,346k).

At year-end, the Company has a loan to its Parent Company, amounting to DKK 488,095k (2016: DKK 441,766k).

Consolidated Financial Statements

The Company is included in the consolidated financial statements of Hi3G Access AB, Stockholm, Sweden, which is the smallest group into which the Company is included as a subsidiary. The consolidated financial statements of CK Hutchison Holdings Limited, 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong, is the largest group into which the Company is included as a subsidiary. Copies of the consolidated financial statements can be obtained at the addresses of the respective parent companies.

	<u>2017</u>	<u>2016</u>
	DKK '000	DKK '000
21 Distribution of profit		
Proposed distribution of profit		
Transfer to reserve for development cost capitalised	2 489	5 133
Transfer to retained earnings	8 465	325 057
	<u>10 954</u>	<u>330 190</u>