Hi3G Denmark ApS

CVR-nr. 26 12 34 45

Annual Report for 2018

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31 May 2019

Chairman

Birgitte Lund
CFO
Hi3G Denmark ApS
Scandiagade 8
2450 København SV

Contents

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 (the "Company") for the financial year 1 January - 31 December 2018.

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 2018 and of the results of the Company's operations and Cash flows for 2018.

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

Copenhagen, 31 May 2019

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Board of Directors

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Frank John Sixt	Erlingt Lennart Johansson
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Independent Auditor's Report

To the Shareholders of Hi3G Denmark ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2018 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 2018, 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 Statements 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, 31 May 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 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	Kin Ning Canning Fok, Chairman Ulf Christian Cederholm Adine Charlotte Grate-Axén Erling Lennart Johansson Carl Peder Ramel Christian Nicolas Roger Salbaing Frank John Sixt Morten Christiansen (appointed on 1 October 2018)	
Executive Board	Morten Christiansen Birgitte Lund (appointed on 3 July 2018)	
Auditor	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup	

Financial Highlights

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

	2018	2017	2016	2015	2014
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statement					
Revenue	2 707 518	2 865 456	3 202 894	2 867 310	3 069 704
Gross profit	1 604 842	1 564 695	1 574 036	1 500 958	1 486 052
Operating profit	335 569	44 206	430 163	388 692	441 557
Net financial items	(24 420)	(30 059)	(28 388)	(42 486)	(83 114)
Profit before income taxes	311 149	14 147	401 775	346 206	358 443
Income taxes	(82 910)	(3 193)	(71 585)	(75 769)	-
Profit for the year	228 239	10 954	330 190	270 437	358 443
Balance sheet					
Investment in tangible fixed assets	207 379	184 646	192 769	145 544	174 628
Balance sheet total	4 278 061	4 376 683	4 313 003	4 081 638	4 531 673
Equity	3 472 839	3 217 804	3 206 850	2 876 660	2 606 365
Average number of employees	669	669	649	685	688
Ratios					
Return on total assets	8%	1%	10%	10%	10%
Solvency ratio	81%	74%	74%	70%	58%

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

We managed to grow the customer base by 4% and ended 2018 with 1,330,590 customers.

The substantial driver for the growth in the customer base has been continued expansion of our successful and market-leading '3 LikeHome' offer. In 2018, we included: Turkey, Mexico, Brazil, Argentina, Chile and Russia. To further strengthen our position as "the operator to take abroad" and because it was a wish from our business customers, we included calls from Denmark to abroad in our new 3LikeHome Pro price plans for business customers.

2018 has been a strong year for our Business Division with a large intake of new customers and a good retention of existing customers. Among other things we have signed a contract with Carlsberg.

We have continued to work on our ambition to remove all good reasons why our customers should leave us and in 2018, we are pleased to say that our ability to retain customers has succeeded in a historically low proportion of customers leave us.

3 grew market share to 16.5% in voice and mobile data and the Company continues to maintain a strong position in mobile data in Denmark with 23% of all mobile data traffic carried by our network.

In order to expand and enhance our network and customer experience, we invested mDKK 196 in 2018 (2017: mDKK 173) in the network, which corresponds to an investment rate of 6%.

2018 has been a year with fewer launches of new smartphones coupled with the fact that customers generally keep their mobiles longer, so demand for smartphones has gone down, which explains the drop in revenue from mDKK 2,865 in 2017 to mDKK 2,708. Thus, our focus has been on continuing to improve our 3LikeHome concept.

Gross profit increased from mDKK 1,565 in 2017 to mDKK 1,605 in 2018 which corresponds to a 3% growth and this is in line with our expectations. Our external expenses are impacted by one-offs in 2018 which contributed to an increase of mDKK 13 compared to last year. We have invested in strategic projects (mDKK 68) in combination with an opposite impact from the implementation of new accounting policies (IFRS 15), which on the other hand has lowered external expenses by mDKK 55. Adjusted for this we have - as previous years - managed to keep costs at an overall flat level thanks to our focus on driving an efficient business.

Future development

In 2019, our focus continues to be on improving the customer experience:

- We will remove the last reasons for customers to leave 3 with, primarily, focus on onboarding.
- We will expand '3 LikeHome' and as of January 2019 we have added another four countries: Vietnam, Malaysia, South Korea and Taiwan, so that we now are at a total of 63 countries/destinations.
- We have entered a 4G roaming contract to improve our customers' experience in rural areas.
- Our 4G+ rollout will be finalized in order to utilize all acquired spectrum in the last 1800MHz auction for our customers' increased data usage.
- Coverage deployment will continue to increase our footprint in the rural areas, and capacity deployment in the urban/suburban areas to support demand for more data, and prepare for 5G. This include acquired 700/900 MHz spectrum in the latest auction.
- Test of 5G new radio on the coming 3.5GHz band and deploy NB-IOT in the existing network.

Our expectation for 2019 is a gross profit between mDKK 1,550 and 1,750.

Financing

In the past 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, the Company 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 2018 here:

https://www.3.dk/globalassets/om-3/om-virksomheden/csr-rapporter/3_2018_corporate_socia_responsibility_report_cf__99a_of_the_danish_financial_statements_act.pdf

and in the Gender Composition report 2018 here:

https://www.3.dk/globalassets/om-3/om-virksomheden/csr-rapporter/3_2018_report_on_the_gender-based_composition_of_the_executive_management_cf__99b_of_the_danish_financial_statements_act.pdf

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 2018 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 except for recognition of incremental cost related to obtaining customer contracts. The change is due to implementation of IFRS 15 as guidance. The implementation did not give rise to other changes.

Incremental cost related to obtaining customer contracts consist of direct sales commission and have been expensed in earlier periods. Given that the IFRS regulations now stipulate that such cost should be capitalised and that the Danish Financial Statements Act states that it is possible to obtain guidance from IFRS 15 from accounting periods ending at 31 December 2018, the Company has decided to change the principle and capitalise the cost as intangible assets.

The effect of the change is an increased profit for the year with mDKK 13 and increased equity with mDKK 39 (including the increased profit of the year).

Comparative numbers for previous years has not been changed according to the transitional provision.

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 consumption.
- Subscription income is recognised over the duration of the subscription.
- Income from 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 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

Licenses 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 are measured at cost less accumulated amortisation.

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

Contract assets

Contract assets are measured at cost less accumulated amortisation.

Contract assets are amortised on a straight-line basis over the expected lifetime of the contract, not exceeding 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 other income or expenses 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. Net realisable value is the estimated selling price less cost to sell.

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:

Return on total assets = $\dfrac{\textit{Operating profit} \times 100}{\textit{Total assets}}$

Solvency ratio = $\dfrac{\textit{Equity at year end} \times 100}{\textit{Total assets}}$

Income Statement 1 January – 31 December

	Note	2018 DKK '000	2017 DKK '000
Revenue	2	2 707 518	2 865 456
Cost of sales		(1 102 676)	(1 300 761)
Gross profit		**1 604 842**	**1 564 695**
External expenses	3	(659 023)	(626 678)
Staff costs	4	(307 603)	(307 776)
Other income		11 217	14 747
Other expenses	5	0	(337 595)
Operating profit before depreciations and amortisation		**649 433**	**307 393**
Depreciation and amortisation	6	(313 864)	(263 187)
Operating profit		**335 569**	**44 206**
Income from investment in joint ventures		100	350
Financial income	7	679	361
Financial expenses	8	(25 199)	(30 770)
Profit before income taxes		**311 149**	**14 147**
Income taxes	12	(82 910)	(3 193)
Profit for the year		**228 239**	**10 954**

Balance Sheet at 31 December

Assets

	Note	2018	2017
		DKK '000	DKK '000
Completed development projects		27 266	28 039
Development projects under construction		24 653	15 994
License and similar rights		462 600	549 083
Rental rights		334	423
Contract assets		50 539	0
Intangible fixed assets	9	**565 392**	**593 539**
Network infrastructure		2 285 023	2 408 732
Equipment		17 787	16 206
Leasehold improvements		5 126	2 912
Assets under construction		192 804	44 712
Tangible fixed assets	10	**2 500 740**	**2 472 562**
Investment in joint ventures	11	11 499	11 499
Deposits		41 695	39 555
Financial asset investments		**53 194**	**51 054**
Fixed assets		**3 119 326**	**3 117 155**
Inventories		**56 078**	**57 074**
Trade receivables		318 996	431 908
Receivables from group enterprises		154 600	93 653
Other receivables		72 602	44 611
Deferred tax assets	12	463 986	545 285
Prepayments		4 007	23 126
Receivables		**1 014 191**	**1 138 583**
Cash at bank and in hand	13	**88 466**	**63 871**
Current assets		**1 158 735**	**1 259 528**
Assets		**4 278 061**	**4 376 683**

Balance Sheet at 31 December

Liabilities and equity

	Note	2018	2017
		DKK '000	DKK '000
Share capital	14	64 375	64 375
Reserve for development costs capitalised		51 919	44 033
Retained earnings		3 356 545	3 109 396
Equity		**3 472 839**	**3 217 804**
Other provisions	15	1 055	0
Provisions		**1 055**	**0**
Long-term debt	16	144 376	172 442
Long-term liabilities		**144 376**	**172 442**
Current part of long-term debt		30 016	30 016
Trade payables		324 808	241 008
Payables to group enterprises		211 822	504 819
Tax payable		7 895	1 151
Other payables		85 250	128 985
Deferred income		0	80 458
Current liabilities		**659 791**	**986 437**
Liabilities		**804 167**	**1 158 879**
Liabilities and equity		**4 278 061**	**4 376 683**

Other notes

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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 2018	**64 375**	**44 033**	**3 109 396**	**3 217 804**
Change in accounting policies	0	0	26 796	26 796
Net profit for the year	0	7 886	220 353	228 239
Equity at 31 December 2018	**64 375**	**51 919**	**3 356 545**	**3 472 839**
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**

Statement of cash flows

	Notes	2018	2017
		DKK '000	DKK '000
Profit for the year		228 239	10 954
Adjustment for non-cash items	17	421 196	296 437
Change in working capital	18	4 747	(21 558)
Financial income		679	361
Financial expenses		(25 199)	(30 770)
Income tax paid		(2 422)	(5 120)
Cash flow from operating activities		**627 240**	**250 304**
Investments in intangible assets		(72 163)	(16 125)
Investments in property, plant and equipment		(207 379)	(184 646)
Sale of intangible assets		0	0
Sale of property, plant and equipment		0	0
Investment in joint ventures and other financial assets		(2 040)	(5 737)
Cash flow from investing activities		**(281 582)**	**(206 508)**
Repayment of loans to group enterprises		(292 997)	0
Proceeds from loans from group enterprises		0	31 294
Repayment of loans		(28 066)	(30 042)
Proceeds from loans		0	0
Cash flow from financing activities		**(321 063)**	**1 252**
Total cash flow		**24 595**	**45 048**
Cash and cash equivalents at 1 January		63 871	18 823
Cash and cash equivalents at 31 December		**88 466**	**63 871**

Notes to the Financial Statements

1 Events after the balance sheet date

There have been no events of major importance to the Company's financial position subsequent to the balance sheet date.

2 Revenue

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

3 External expenses

External expenses are impacted by one-offs and change in accounting policies, mDKK 68 is invested in strategic projects in combination with an opposite impact of mDKK 55 from change in accounting policies.

	2018 DKK '000	2017 DKK '000
Fees to auditor elected by the Annual General Meeting		
Audit fee	1 012	1 033
Tax advisory services	3 368	870
Other services	10 151	803
	14 531	**2 706**

4 Staff costs

	2018 DKK '000	2017 DKK '000
Wages and salaries	301 778	299 070
Pensions	24 422	23 339
Other social security expenses	4 103	3 724
	330 303	326 133
Of which capitalised	(22 700)	(18 357)
	307 603	**307 776**
Of this remuneration to Executive Board and Board of Directors:		
Salaries, bonus and pensions	21 900	16 615
	21 900	**16 615**

A part of the remuneration to Executive Board and Board of Directors is paid by the Company's Swedish parent company.

Average number of employees	**669**	**669**

	2018	2017
	DKK '000	DKK '000

5 Other expenses

VAT one-off	0	337 595
	0	**337 595**

6 Depreciation and amortisation of tangible and intangible fixed assets

Completed development projects	9 845	13 636
Licenses and similar rights	86 483	76 531
Rental rights	389	397
Contract assets	37 946	0
Network infrastructure	171 460	165 885
Equipment	6 900	5 662
Leasehold improvements	841	1 076
	313 864	**263 187**

7 Financial Income

Exchange rate adjustments	485	0
Other financial income	194	361
	679	**361**

8 Financial expenses

Interest paid to group enterprises	4 937	9 179
Exchange rate adjustments	0	1 744
Other financial expenses	20 262	19 847
	25 199	**30 770**

9 Intangible fixed assets

	Completed development projects	Development projets under construction
	DKK '000	DKK '000
Cost at 1 January 2018	341 816	15 994
Reclassifications	0	0
Additions for the year	0	17 731
Transfers for the year	9 072	(9 072)
Cost at 31 December 2018	350 888	24 653
Amortisation at 1 January 2018	313 777	0
Amortisation for the year	9 845	0
Disposals for the year	0	0
Amortisation at 31 December 2018	323 622	0
Carrying amount 31 December 2018	**27 266**	**24 653**
Of which capitalised interest	0	0

The Company capitalises 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)

	Rental rights	Licences and similar rights
	DKK '000	DKK '000
Cost at 1 January 2018	28 932	1 184 247
Additions for the year	300	0
Disposals for the year	0	0
Transfers for the year	0	0
Cost at 31 December 2018	29 232	1 184 247
Amortisation at 1 January 2018	28 509	635 164
Amortisation for the year	389	86 483
Disposals for the year	0	0
Amortisation at 31 December 2018	28 898	721 647
Carrying amount 31 December 2018	**334**	**462 600**

	Contract assets
	DKK '000
Cost at 1 January 2018	0
Change in accounting policies	63 877
Additions for the year	54 132
Disposals for the year	(32 164)
Transfers for the year	0
Cost at 31 December 2018	85 845
Amortisation at 1 January 2018	0
Change in accounting policies	29 524
Amortisation for the year	37 946
Disposals for the year	(32 164)
Amortisation at 31 December 2018	35 306
Carrying amount	**50 539**

10 Tangible fixed assets

	Network infrastructure	Assets under construction
	DKK '000	DKK '000
Cost at 1 January 2018	3 923 779	44 712
Additions for the year	0	195 843
Disposals for the year	0	0
Transfers for the year	47 751	(47 751)
Cost at 31 December 2018	3 971 530	192 804
Depreciation at 1 January 2018	1 515 047	0
Depreciation for the year	171 460	0
Disposals for the year	0	0
Depreciation at 31 December 2018	1 686 507	0
Carrying amount 31 December 2018	**2 285 023**	**192 804**
Of which capitalised interest	0	0

	Equipment	Leasehold improvements
	DKK '000	DKK '000
Cost at 1 January 2018	68 937	31 637
Additions for the year	8 481	3 055
Disposals for the year	0	0
Reclassifications	0	0
Cost at 31 December 2018	77 418	34 692
Depreciation at 1 January 2018	52 731	28 725
Depreciation for the year	6 900	841
Disposals for the year	0	0
Depreciation at 31 December 2018	59 631	29 566
Carrying amount 31 December 2018	**17 787**	**5 126**

	2018	2017
	DKK '000	DKK '000

11 Investment in joint ventures

	2018	2017
Cost at 1 January	18 691	18 691
Additions for the year	-	-
Disposals for the year	-	-
Cost at 31 December	18 691	18 691
Revaluations at 1 January	(7 192)	(7 192)
Adjustments for the year	-	-
Revaluations at 31 December	(7 192)	(7 192)
Carrying amount 31 December	**11 499**	**11 499**

Investment in joint ventures is specified as follows:

Name	Registered office	Equity	Votes and ownership	Net result
		DKK '000		DKK '000
4T af 1. oktober 2012 ApS	Copenhagen Denmark	13 405	25%	89
OCH A/S	Copenhagen Denmark	1 946	25%	613

12 Deferred tax assets

	2018 DKK '000	2017 DKK '000
Deferred tax 1 January	545 285	551 827
Change in accounting policies	(7 558)	0
Deferred tax for the year	(73 086)	(1 637)
Adjustment from prior years	(655)	(4 905)
Deferred tax 31 December	**463 986**	**545 285**

The deferred tax asset is specified as follows:

	2018 DKK '000	2017 DKK '000
Arising from deferred tax losses	603 370	618 928
Arising from accelerated depreciation allowances	(141 163)	(76 336)
Arising from deductible temporary differences	1 779	2 693
	463 986	**545 285**

Changes in Income Statement

	2018 DKK '000	2017 DKK '000
Current tax for the year	(9 824)	(1 655)
Deferred tax for the year	(73 086)	(1 637)
Prior year adjustments	0	99
Tax effect for the year	(82 910)	(3 193)

The recognised deferred tax assets consist of taxable losses, which are expected to be utilised within 8 years through income generated form 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:

	2018 DKK '000	2017 DKK '000
0-1 year	79 400	62 700
> 1 year	384 586	482 585
	463 986	545 285

	2018	2017
	DKK '000	DKK '000

13 Cash at bank and in hand

Cash at bank and in hand	88 466	63 871
	88 466	**63 871**

The Company has entered a cash pool with its parent company which means that available cash is collected by the parent company until it is needed. The cash pool 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
	64 375	**64 375**

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

15 Other provisions

Provisions at 1 January	0	0
Additions for the year	1 055	0
Disposals for the year	0	0
Provisions at 31 December	**1 055**	**0**

16 Long-term debt

Outstanding debt after 5 years	0	29 275
Repayment between 1 and 5 years	144 376	143 167
Long-term debt	144 376	172 442
Current part of long-term debt	30 016	30 016
	174 392	**202 458**

	2018	2017
	DKK '000	DKK '000

17 Adjustment for non-cash items

Financial income	(679)	(361)
Financial expenses	25 199	30 770
Depreciation and amortisation	313 864	263 187
Income taxes	82 910	3 193
Investment in joint ventures	(100)	(350)
Other adjustments	2	(2)
	421 196	**296 437**

18 Change in working capital

Change in inventories	996	5 124
Change in receivables	43 093	(86 627)
Change in trade payables, etc.	(39 342)	59 945
	4 747	**(21 558)**

19 Contractual obligations

Rental and lease obligations from operating leases.
Total future rental and lease payments:

Within 1 year	96 406	128 478
Between 1 and 5 years	127 236	309 005
More than 5 years	13 602	96 674
	237 244	**534 157**

20 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.

21 Related parties

Controlling interest	Basis
Hi3G Denmark Holdings ApS Scandiagade 8 DK-2450 København	Controlling shareholder
Hi3G Access AB PO Box 7012 121 07 Stockholm - Globen Sweden	Controlling interest
CK Hutchison Holdings Limited 48th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong	Ultimate parent company

21 Related parties - continued

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 219,689k (2017: DKK 224,804k). 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 18,791k (2017: DKK 16,724k). The outstanding receivable was DKK 154,600k (2017: DKK 93,652k).

At year-end, the Company has a loan to its parent company, amounting to DKK 193,031k (2017: DKK 488,095k).

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, 48th Floor, Cheung Kong Center, 2 Queen's Road Central, 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.

	2018	2017
	DKK '000	DKK '000
22 Distribution of profit		
Proposed distribution of profit		
Transfer to reserve for development cost capitalised	7 886	2 489
Transfer to retained earnings	220 353	8 465
	228 239	**10 954**