

Annual report for 2023

Hi3G Denmark ApS
Fadet 4, 1799 København V
CVR no. 26 12 34 45

Adopted at the annual general meeting on 19 June
2024

Kin Ning Canning Fok
Chairman

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Statement by management on the annual report

The Board of Directors and Executive Board have today discussed and approved the annual report of Hi3G Denmark ApS for the financial year 1 January - 31 December 2023.

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 Company's financial position at 31 December 2023 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023.

In our opinion, Management's review includes a fair review of the matters dealt with in the Management's review.

Management recommends that the annual report should be approved by the Company in general meeting.

Copenhagen, 19 June 2024

Executive Board

Morten Christiansen

Birgitte Lund

Board of Directors

Kin Ning Canning Fok
Chairman

Ulf Christian Cederholm

Frank John Sixt

Jean Christoffer Johannes Marin

Christian Nicolas Roger Salbaing

Carl Peder Ramel

Independent auditor's report

To the shareholder 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 2023, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023 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 2023, which comprise income statement, balance sheet, statement of cash flows, statement of changes in equity 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Independent auditor's report

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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- 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.

Hellerup, 19 June 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Ulrik Ræbild
State Authorised Public Accountant
MNE no. mne33262

Mads Blichfeldt Fjord
State Authorised Public Accountant
MNE no. mne46065

Company details

The company

Hi3G Denmark ApS
Fadet 4
1799 København V

Website: www.3.dk

CVR no.: 26 12 34 45

Reporting period: 1 January - 31 December 2023

Domicile: Copenhagen

Board of Directors

Kin Ning Canning Fok, Chairman
Ulf Christian Cederholm
Frank John Sixt
Jean Christoffer Johannes Marin
Christian Nicolas Roger Salbaing
Carl Peder Ramel

Executive Board

Morten Christiansen
Birgitte Lund

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Revenue	2,898,875	2,904,822	2,787,366	2,740,561	2,736,041
Gross profit	873,253	934,870	947,735	936,081	1,060,083
Net financials	(53,247)	(35,579)	(31,875)	(12,706)	(21,854)
Profit/loss for the year	(12,424)	(589,040)	(26,943)	159,958	295,297
Balance sheet					
Balance sheet total	3,866,499	3,936,346	4,349,562	4,037,404	4,658,230
Investment in property, plant and equipment	(373,134)	(768,444)	(684,974)	(152,788)	(194,211)
Equity	2,240,430	2,252,854	2,841,894	2,868,837	3,625,136
Number of employees	656	623	630	648	667
Financial ratios					
Return on assets	1 %	(17)%	0 %	5 %	9 %
Solvency ratio	58 %	57 %	65 %	71 %	78 %

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

Management's review

In 2023, the roll-out of 5G was almost finalized. By first half of 2024, 100% of our network will be upgraded to 5G thereby creating a highly improved customer experience as well as higher speeds - matching those of both Coax, ADSL, and fibre. Our hero products '3Internet (5G)' and 'Home Office 5G' are thus providing our customers with low priced and hassle-free alternatives to wired connections, combined with powerful outdoor antennas for customers living in rural areas. As a result, and according to plan, 3Internet (5G) has turned out to be a strong growth engine during 2023. According to plan, and to our great pleasure, we managed to attract a great number of new customers who have previously used Coax, ADSL or fibre as their internet connection.

We continue to have the best roaming offers and our customers appreciate '3LikeHome' and '3LikeHomePro' for its simplicity, transparency, and cost control. The customers' satisfaction with the products have resulted in an increase in the average data usage per day abroad by 30% from 2022 to 2023. Recently we extended '3LikeHome' with Japan and Greenland and the plan is to add more attractive destinations in 2024.

With strong products on a strong network, we managed to end the year at 1,589,004 customers which corresponds to a growth of 3.4% and we are quite content with this result. According to the most recent official market share statistics from first half of 2023, 3 grew its market share to 18.4% and maintained a strong market position on mobile data with a 24.5% share of all mobile data traffic.

'OiSTER' continued to hold its strong position in the market based on competitive pricing and a steady expansion of streaming services.

Our low-price brand 'Flexii', with self-service as its motto is doing well and has recently launched flexible propositions. 'Flexii' complements '3' and 'OiSTER' perfectly and we are very pleased with 'Flexii's' customer intake in 2023.

In the Business market we have created a position for ourselves as a full-range advisor on mobile, Unified Communications and Internet.

Going against the trend, we decided to open two new shops in 2023 as we have experienced a growing consumer footfall and an increasing number of business customers coming to our shops.

New alternative revenue streams have started to materialize. In 2023 we saw an increasing interest in the business area 'Data Insights', a strategic business unit at 3 that helps companies and organisations understand mobility flows across Denmark. We received an unprecedented amount of publicity when estimating the number of participants attending the coronation of King Frederik the 10th earlier this year. That has brought us plenty of promising business leads.

Management's review

Financial review

Revenue declined slightly from mDKK 2,905 in 2022 to mDKK 2,899 in 2023, which is purely driven by lower handset sale. The revenue decline is in line with our expectations. Gross Margin (Revenue – Cost of sales) grew from mDKK 1,692 to mDKK 1,785. Like 2022 but quite contrary to previous years, we saw an increase in costs, driven by the extension and improvement of our network resulting in higher rental costs combined with higher energy prices compared to 2022. As a result, our operating profit before depreciations and amortisation ended at mDKK 528 compared to mDKK 626 in 2022.

Network

In 2023, we invested mDKK 309 in our network (2022: mDKK 748).

The continued high level of network investments reflects a strong focus on our rollout of 5G combined with a comprehensive upgrade of our radio and transmission network and a considerable increase in the number of network positions. In order to deliver a fibre-like speed experience to customers all over Denmark, we have focused highly on C-band as well as low band to ensure the best possible geographical as well as indoor coverage.

The upgrade to new 5G equipment resulted in disposal of fixed assets with net book value of mDKK 62.

Future development

The 5G modernisation of the network will facilitate further digitalising of society and initiate improved services for green initiatives going forward. The launch of our Fixed Wireless Access (FWA) products '3Internet (5G)' and 'Home Office 5G' will be complemented by more high-capacity services utilizing 26GHz mmWaveband when needed, network slicing will be possible by the end of 2024 and home medicine consulting and additional IOT services with increased low band utilization.

The plan is to finalise the upgrade of 5G equipment during 2024 and as a result we expect a positive net profit in the range between mDKK 200-300.

The Company has strong cash flow from operations, and we find that the Company has sufficient financing for the coming year.

Statutory Report on Social Responsibility and Data ethics, cf. Section 99a and 99d respectively of the Danish Financial Statements Act

In 2023, we have worked intensively with sustainability, including securing the accuracy of data performance within sustainability. We have identified and worked with various sustainability initiatives to help us achieve our ambitious goals within the area. One of our greatest achievements is that by the end of the financial year 2023, our electricity consumption was 100% covered by renewable energy certificates (RECs). Furthermore, we continued advancing data ethical standards with policy and procedures.

More information regarding our work with sustainability and data ethics may be found in Hi3G's Sustainability Report 2023: <https://www.3.dk/om3/om-virksomheden/>

Management's review

Statutory Report on Gender Composition in Management cf. Section 99b of the Danish Financial

Board of Directors

By the end of 2023, the Board of Directors consisted of 7 men. The goal of having at least 40% woman on the Board of Director was thus not reached in 2023, because the general meeting saw no reason to replace the current board. To address equal gender representation on the board of directors, Hi3G will further improve inclusive recruitment and promotion practices and foster an inclusive culture through supportive stakeholder management.

Executive Management and Senior Management

The executive management consists of 1 woman and 1 man. Thereby, the goal of at least 40% female representation was achieved.

The senior management consists of 3 women and 4 men. Thereby, the goal of at least 40% female representation was achieved.

Focus on equal gender distribution and hidden barriers

At Hi3G, generally, we are working to achieve equal gender distribution as the Company should reflect the surrounding society's distribution of women and men. We believe that such distribution and diversity create a balanced work environment, that diversity at the same time contributes to a dynamic, creative, and innovative work environment and that diversity is a strength for the Company.

Our Gender Equality Policy and Employee Handbook reflects this belief, and we are working to achieve 60/40 equal gender distribution at all management levels and in the Company in general.

On all levels of the organisation and not at least at the management levels, we depend on having highly skilled and qualified employees to secure a healthy and efficient business. Thus, in employing candidates, we seek to employ the candidate best suited for the position in question based on personality, qualifications, education, and experience, but at the same time, we strive to secure diversity and equal gender distribution in the Company. Thus, we ensure that all candidates are assessed based on a holistic approach.

It is important for Hi3G to ensure equal access for women and men to vacant positions in the Company, especially for management positions, as we are aware of that there are certain stereotypical perceptions and informal barriers for female leaders. Thus, Hi3G has a special focus on the hidden barriers that can lead to women not getting management positions. This focus is expressed in all parts of e.g. the recruitment procedure - job description, job postings, screening of candidates and job interviews. Hi3G's job advertisements, for example, are adapted to motivate a diverse pool of candidates. The content of the job advertisements is very descriptive in this respect and sheds light on the working day, the environment and Hi3G's values.

Management's review

At Hi3G, we have initiated an effort to create a more balanced gender representation at the Company's management levels, and in this connection, we have set the following targets:

- Hi3G will work to ensure that both genders are represented by at least 40% on the Board of Directors by 2025.
- Hi3G will work to ensure that both genders are represented by at least 40% in the Senior Management Team by 2025 (achieved in 2023).
- Hi3G will work to ensure that both genders are represented by at least 40% in other management levels by 2025.

5-year overview

	2023	2024	2025	2026	2027
Top Management					
Board of Directors					
Total number	7				
Underrepresented gender in percent.	0				
Target in per cent.	40				
Target year	2025				
Other Management					
Executive Management					
Total number	2				
Underrepresented gender in percent.	50				
Target in per cent.	40				
Target year	2025				
Senior Management					
Total number	7				
Underrepresented gender in percent.	43				
Target in per cent.	40				
Target year	2025				

At Hi3G, we strive to ensure that our management is characterised by diversity in terms of age, gender, education, and professional background. We strive to achieve this by working.

- minimising the impact of bias, preconceptions, or prejudices in all our recruitment and hiring processes.
- encouraging our managers to be aware of this and thus minimise bias, preconceived attitudes, or prejudice.

Management's review

More information regarding Hi3G's work with gender balance and diversity can be found in Hi3G's Sustainability Report 2023: <https://www.3.dk/om3/om-virksomheden/>

Significant events after the year-end

No significant events - which are considered to have an impact on the assessment of the Annual Report - have occurred after the balance sheet date.

Accounting policies

The annual report of Hi3G Denmark ApS for 2023 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 consistent with those of last year.

The annual report for 2023 is presented in TDKK.

Pursuant to sections §112, of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The Financial Statements of the Company are included in the consolidated financial statements of CK Hutchison Holdings Limited, a Cayman Islands incorporated company registered and listed in Hong Kong.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits 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 from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

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.

Accounting policies

Cost of sales

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

Other operating income

The item Other operating income includes items of a secondary nature relative to the Company's activities, including gains on the sale of intangible assets and items of property, plant and equipment, operating losses, indemnities relating to operating losses and conflicts as well as payroll refunds. Indemnities are recognised when it is more probable than not that the company is going to be indemnified.

External expenses

External expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees.

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment comprise the year's depreciation, amortisation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities, liabilities and foreign currency transactions, amortisation of financial assets and liabilities and surcharges and allowances under the Danish Tax Prepayment Scheme, etc.

Income from investments in subsidiaries

The proportionate share of the profit/loss for the year of subsidiaries is recognised in the company's income statement after full elimination of intra-group profits/losses.

Income from investments in joint ventures

Dividends received from investments in joint ventures in the financial year when the dividends are distributed.

Accounting policies

Income taxes

The company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible 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 fixed 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.

Licenses 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.

Accounting policies

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.

Customer contracts:

Contract assets are measured at cost less accumulated amortisation, and includes for example commissions or bonuses to employees, which are directly related to the customer acquisition and prolongation.

Contract assets are amortised on a straight-line basis over the expected lifetime of the contract, not exceeding 5 years.

Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Interest expenses on loans obtained specifically for the purpose of financing the manufacturing of items of property, plant and equipment are included in cost over the manufacturing period. All indirect, attributable borrowing costs are recognised in the income statement.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life
Network infrastructure	3/5/10/40 years
Equipment	3/5 years
Leasehold improvements	3/5 years

The useful life and residual value are re-assessed annually. A change is accounted for as an accounting estimate, and the impact on amortisation/depreciation is recognised going forward.

Gains and losses on the sale of items of property, plant and equipment are calculated as the difference between the selling price, less costs to sell, and the carrying amount at the time of sale. Gains or losses on the sale of items of property, plant and equipment are recognised in the income statement under other operating income or other operating expenses, respectively.

Accounting policies

Investments in subsidiaries, associates and participating interests

Investments in subsidiaries, associates and participating interests are measured at the proportionate share of the net asset value of the entities, calculated on the basis of the group's accounting policies, plus or less unrealised intra-group gains or losses and plus or less any remaining value of positive or negative goodwill stated according to the purchase method. Negative goodwill is recognised in the income statement on acquisition. Where the negative goodwill relates to contingent liabilities having been taken over, the negative goodwill is not recognised until the contingent liabilities have been settled or no longer exist.

Investments in subsidiaries and associates are measured in the parent company financial statements using the equity method.

Net revaluations of investments in subsidiaries, associates and participating interests are taken to the net revaluation reserve according to the equity method in so far as that the carrying amount exceeds the cost. Dividends from subsidiaries which are expected to be declared before the annual report of Hi3G Denmark ApS is adopted are not taken to the net revaluation reserve.

Investments in joint ventures

Investment in joint ventures are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

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.

Impairment of fixed assets

The carrying amount of intangible assets, items of property, plant and equipment and investments in subsidiaries, associates and participating interests is tested annually for impairment, other than what is reflected through normal amortisation and depreciation.

Where there is evidence of impairment, an impairment test is performed for each individual asset or group of assets. Write-down is made to the lower of the recoverable amount and the carrying amount.

The recoverable amount is the higher of the net present value and the value in use less expected costs to sell. The net present value is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

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.

Accounting policies

Prepaid discounts to customers

Prepaid discounts to customers are measured at cost, which are directly related to the customer acquisition and prolongation.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits at banks.

Equity

Reserve for development costs

An amount corresponding to capitalised development costs is recognised in the reserve. The reserve is reduced as development costs are amortised.

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

The company and all its Danish group entities are taxed on a joint basis. The current income tax charge is allocated between the jointly taxed entities relative to their taxable income. Tax losses are allocated based on the full absorption method. The jointly taxed entities are eligible for the Danish Tax Prepayment Scheme.

Joint taxation contributions payable and receivable are recognised in the balance sheet as 'Joint taxation contributions receivable' or 'Joint taxation contributions payable'.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

Accounting policies

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Liabilities

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

Deferred income

Deferred income recognised under 'Current liabilities' comprises payments received concerning income in subsequent financial years.

Cash flow statement

The cash flow statement shows the company's cash flows for the year, broken down under cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents and the company's cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities

Cash flows from operating activities are stated as the company's profit or loss for the year, adjusted for non-cash operating items, changes in working capital and paid income taxes. Dividend income from investments is recognised under 'Interest income and dividend received'.

Cash flows used in investing activities

Cash flows from investing activities comprise payments related to the acquisition and sale of entities and activities as well as intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the company's share capital and related costs, as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Accounting policies

Financial Highlights

Definitions of financial ratios.

Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$

Income statement 1 January - 31 December

	<u>Note</u>	<u>2023</u> TDKK	<u>2022</u> TDKK
Revenue	1	2,898,875	2,904,822
Other operating income		3,904	5,636
Cost of sales		(1,114,076)	(1,212,480)
External expenses		(915,450)	(763,108)
Gross profit		873,253	934,870
Staff costs	2	(345,515)	(308,685)
Profit before amortisation/depreciation and impairment losses		527,738	626,185
Depreciation and amortisation	3	(492,710)	(1,343,122)
Profit/(loss) before net financials		35,028	(716,937)
Income from investments in joint ventures		100	100
Financial income	4	5,270	618
Financial costs	5	(58,617)	(36,297)
Loss before tax		(18,219)	(752,516)
Income taxes	6	5,795	163,476
Loss for the year		(12,424)	(589,040)
Distribution of profit/(loss)	7		

Balance sheet 31 December

	<u>Note</u>	<u>2023</u> TDKK	<u>2022</u> TDKK
Assets			
Completed development projects		49,190	50,360
Licenses and similar rights		1,051,402	1,123,151
Rental rights		0	35
Development projects in progress		19,108	18,255
Customer contracts		<u>54,723</u>	<u>51,936</u>
Intangible assets	8	<u>1,174,423</u>	<u>1,243,737</u>
Network infrastructure		1,566,111	1,260,207
Equipment		20,923	12,689
Leasehold improvements		19,802	14,659
Assets under construction		<u>287,625</u>	<u>570,694</u>
Tangible assets	9	<u>1,894,461</u>	<u>1,858,249</u>
Investments in subsidiaries	10	100	100
Investments in joint ventures	11	11,499	11,499
Deposits		<u>25,053</u>	<u>31,553</u>
Financial asset investments		<u>36,652</u>	<u>43,152</u>
Total non-current assets		<u>3,105,536</u>	<u>3,145,138</u>

Balance sheet 31 December (continued)

	<u>Note</u>	<u>2023</u> TDKK	<u>2022</u> TDKK
Assets			
Inventory		<u>61,502</u>	<u>98,422</u>
Inventory		<u>61,502</u>	<u>98,422</u>
Trade receivables		147,245	169,023
Prepaid discounts to customers		85,935	86,847
Receivables from group companies		2,151	565
Other receivables		45,727	40,797
Deferred tax assets	14	228,916	268,232
Joint taxation contributions receivable		33,559	0
Prepayments		<u>5,818</u>	<u>8,435</u>
Receivables		<u>549,351</u>	<u>573,899</u>
Cash at bank and in hand	12	<u>150,110</u>	<u>118,887</u>
Total current assets		<u>760,963</u>	<u>791,208</u>
Total assets		<u>3,866,499</u>	<u>3,936,346</u>

Balance sheet 31 December

	<u>Note</u>	<u>2023</u> TDKK	<u>2022</u> TDKK
Equity and liabilities			
Share capital		64,375	64,375
Reserve for development expenditure		53,273	57,535
Retained earnings		<u>2,122,782</u>	<u>2,130,944</u>
Equity	13	<u>2,240,430</u>	<u>2,252,854</u>
Other provisions	15	<u>874</u>	<u>874</u>
Provisions		<u>874</u>	<u>874</u>
Debt to banks		300,000	300,000
Long-term debt		<u>551,791</u>	<u>680,658</u>
Total non-current liabilities	16	<u>851,791</u>	<u>980,658</u>
Current part of long-term debt	16	132,592	132,592
Trade payables		263,235	327,399
Payables to group enterprises		285,138	167,451
Corporation tax		0	2,357
Other payables		89,488	72,161
Deferred income		<u>2,951</u>	<u>0</u>
Total current liabilities		<u>773,404</u>	<u>701,960</u>
Total liabilities		<u>1,626,069</u>	<u>1,683,492</u>
Total equity and liabilities		<u><u>3,866,499</u></u>	<u><u>3,936,346</u></u>
Rent and lease liabilities	17		
Contingent liabilities	18		
Related parties and ownership structure	19		
Fee to auditors appointed at the general meeting	20		

Statement of changes in equity

	Share capital	Reserve for development expenditure	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2023	64,375	57,535	2,130,944	2,252,854
Transfers, reserves	0	(4,262)	4,262	0
Net loss for the year	0	0	(12,424)	(12,424)
Equity at 31 December 2023	64,375	53,273	2,122,782	2,240,430

	Share capital	Reserve for development expenditure	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2022	64,375	64,930	2,712,589	2,841,894
Transfers, reserves	0	(7,395)	7,395	0
Net loss for the year	0	0	(589,040)	(589,040)
Equity at 31 December 2022	64,375	57,535	2,130,944	2,252,854

Cash flow statement 1 January - 31 December

	Note	2023 TDKK	2022 TDKK
Loss for the year		(12,424)	(589,040)
Adjustments for non-cash items	21	540,162	1,215,225
Change in working capital	22	11,823	72,701
Cash flows from operating activities before financial income and expenses		539,561	698,886
Interest income and similar income		5,270	618
Interest expenses and similar charges		(58,617)	(36,297)
Cash flows from ordinary activities		486,214	663,207
Corporation tax paid		9,195	(7,439)
Other adjustments		100	100
Cash flows from operating activities		495,509	655,868
Investments in intangible assets		(86,474)	(83,219)
Investments in property, plant and equipment		(373,130)	(768,444)
Investments in financial assets		0	(8,783)
Sale of financial assets		6,500	0
Cash flows used in investing activities		(453,104)	(860,446)
Repayment of loans from credit institutions		(128,868)	(100,592)
Change in loans to group enterprises		117,686	20,800
Proceeds from loans		0	300,000
Cash flows from financing activities		(11,182)	220,208
Change in cash and cash equivalents		31,223	15,630
Cash and cash equivalents at 1 January		118,887	103,257
Cash and cash equivalents at 31 December		150,110	118,887
Analysis of cash and cash equivalents:			
Cash at bank and in hand		150,110	118,887
Cash and cash equivalents		150,110	118,887

Notes

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
1 Revenue		
Revenue	<u>2,898,875</u>	<u>2,904,822</u>
All activities are limited to the Danish market. The internal reporting does not segregate revenue in underlying segments or geographic areas.		
2 Staff costs		
Wages and salaries	352,662	319,004
Pensions	26,562	24,177
Other social security costs	<u>4,611</u>	<u>4,931</u>
	383,835	348,112
Of which is capitalised	<u>(38,320)</u>	<u>(39,427)</u>
	345,515	308,685
Including remuneration to the Executive Board		
Executive Board	<u>28,229</u>	<u>23,528</u>
	28,229	23,528
Number of fulltime employees on average	<u>656</u>	<u>623</u>
3 Depreciation and amortisation		
Depreciation intangible assets	155,788	147,982
Depreciation tangible assets	275,213	658,932
Loss on disposal	<u>61,709</u>	<u>536,208</u>
	492,710	1,343,122

Notes

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
4 Financial income		
Other financial income	5,270	618
	<u>5,270</u>	<u>618</u>
5 Financial costs		
Financial expenses to group entities	1,151	1,142
Other financial costs	57,279	34,109
Exchange rate adjustments	187	1,046
	<u>58,617</u>	<u>36,297</u>
6 Income taxes		
Current tax for the year	0	0
Current tax previous years	0	1,724
Deferred tax for the year	30,121	(165,363)
Deferred tax previous years	9,195	163
Adjustment of tax concerning previous years	(2,357)	0
Joint taxation contribution	(33,559)	0
Joint taxation contribution previous years	(9,195)	0
	<u>(5,795)</u>	<u>(163,476)</u>

In December 2021, the Organisation for Economic Co-operation and Development (“OECD”) released the Pillar Two model rules (the Global Anti-Base Erosion Proposal, or “GloBE rules”) for a new global minimum tax reform applicable to multinational enterprise groups with annual revenues of at least Euro 750 million. The Company is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in Denmark, the jurisdiction in which the Company is incorporated, and will come into effect from 1 January 2024.

Under the Pillar Two rules, the Company is liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate. As the Pillar Two legislation was not effective at the reporting date, the Company has no related current tax exposure. The Company and wider group are continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance. Based on the information currently available, the impact of these rules on the Company’s income tax position is not expected to be material.

Notes

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
7 Distribution of profit		
Retained earnings	<u>(12,424)</u>	<u>(589,040)</u>
	<u>(12,424)</u>	<u>(589,040)</u>

8 Intangible assets

	Completed development projects	Licenses and similar rights	Rental rights	Development projects in progress	Customer contracts
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January 2023	92,291	2,209,428	302	18,255	102,561
Additions for the year	0	0	0	22,211	64,263
Disposals for the year	0	0	0	0	(61,905)
Transfers for the year	21,358	0	0	(21,358)	0
Cost at 31 December 2023	<u>113,649</u>	<u>2,209,428</u>	<u>302</u>	<u>19,108</u>	<u>104,919</u>
Impairment losses and amortisation at 1 January 2023	41,931	1,086,277	267	0	50,625
Amortisation for the year	22,528	71,749	35	0	61,476
Disposal for the year	0	0	0	0	(61,905)
Impairment losses and amortisation at 31 December 2023	<u>64,459</u>	<u>1,158,026</u>	<u>302</u>	<u>0</u>	<u>50,196</u>
Carrying amount at 31 December 2023	<u>49,190</u>	<u>1,051,402</u>	<u>0</u>	<u>19,108</u>	<u>54,723</u>

Special assumptions regarding development projects

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.

Notes

9 Tangible assets

	Network infrastructure	Equipment	Leasehold improvements	Assets under construction
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January 2023	2,962,510	38,575	19,738	570,694
Additions for the year	0	53,876	10,352	308,906
Disposals for the year	(214,400)	0	0	0
Transfers for the year	591,975	0	0	(591,975)
Cost at 31 December 2023	<u>3,340,085</u>	<u>92,451</u>	<u>30,090</u>	<u>287,625</u>
Depreciation at 1 January 2023	1,702,303	25,886	5,079	0
Depreciation for the year	224,362	45,642	5,209	0
Disposal for the year	(152,691)	0	0	0
Depreciation at 31 December 2023	<u>1,773,974</u>	<u>71,528</u>	<u>10,288</u>	<u>0</u>
Carrying amount at 31 December 2023	<u><u>1,566,111</u></u>	<u><u>20,923</u></u>	<u><u>19,802</u></u>	<u><u>287,625</u></u>

Notes

	<u>2023</u> TDKK	<u>2022</u> TDKK
10 Investments in subsidiaries		
Cost at 1 January	<u>100</u>	<u>100</u>
Cost at 31 December	<u>100</u>	<u>100</u>
Revaluations at 1 January	<u>0</u>	<u>0</u>
Revaluations at 31 December	<u>0</u>	<u>0</u>
Carrying amount at 31 December	<u>100</u>	<u>100</u>

Investments in subsidiaries are specified as follows:

<u>Name</u>	<u>Registered office</u>	<u>Ownership interest</u>	<u>Equity</u>	<u>Profit/(loss) for the year</u>
			TDKK	TDKK
Subco II af 14/12/17 ApS	Copenhagen, Denmark	100 %	50	0
Subco III af 14/12/17 ApS	Copenhagen, Denmark	100 %	50	0

Notes

	<u>2023</u> TDKK	<u>2022</u> TDKK
11 Investments in joint ventures		
Cost at 1 January	<u>18,691</u>	<u>18,691</u>
Cost at 31 December	<u>18,691</u>	<u>18,691</u>
Revaluations at 1 January	<u>(7,192)</u>	<u>(7,192)</u>
Revaluations at 31 December	<u>(7,192)</u>	<u>(7,192)</u>
Carrying amount at 31 December	<u>11,499</u>	<u>11,499</u>

Investments in joint ventures are specified as follows:

Name	Registered office	Ownership interest	Equity	Profit for the year
			TDKK	TDKK
4T af 1. oktober 2012 ApS	Copenhagen, Denmark	25 %	13,639	651
OCH A/S	Copenhagen, Denmark	25 %	3,432	742

Notes

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
12 Cash at bank and in hand		
Cash in bank and in hand	<u>150,110</u>	<u>118,887</u>
	<u>150,110</u>	<u>118,887</u>

13 Equity

The share capital consists of 64,375 shares of a nominal value of TDKK 1 each. No shares carry any special rights.

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

14 Deferred tax asset

Deferred tax asset at 1 January	268,232	103,032
Deferred tax recognised in income statement	<u>(39,316)</u>	<u>165,200</u>
Deferred tax asset at 31 December	<u>228,916</u>	<u>268,232</u>

The recognised deferred tax assets consist of taxable losses, which are expected to be utilised within 5 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.

The expected due dates of deferred tax:

Within one year	48,703	54,680
Between 1 and 5 years	180,213	213,552
Over 5 years	<u>0</u>	<u>0</u>
Deferred tax at 31 December	<u>228,916</u>	<u>268,232</u>

Notes

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
15 Other provisions		
Balance at beginning of year at 1 January	874	874
Balance at 31 December	<u>874</u>	<u>874</u>
16 Long term debt		
Debt to banks		
Between 1 and 5 years	300,000	300,000
Non-current portion	300,000	300,000
Within 1 year	0	0
Current portion	0	0
	<u>300,000</u>	<u>300,000</u>
Long-term debt		
After 5 years	142,107	242,681
Between 1 and 5 years	409,684	437,977
Non-current portion	551,791	680,658
Other short-term debt to credit institutions	132,592	132,592
Current portion	132,592	132,592
	<u>684,383</u>	<u>813,250</u>
17 Rent and lease liabilities		
Rent and lease liabilities		
Operating lease liabilities.		
Total future lease payments:		
Within 1 year	81,340	71,335
Between 1 and 5 years	131,615	125,806
After 5 years	56,151	73,245
	<u>269,106</u>	<u>270,386</u>

Notes

18 Contingent 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. 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.

19 Related parties and ownership structure

Controlling interest

Controlling shareholder:

HI3G DK Holdings ApS
Fadet 4
DK-1799 København V

Controlling interest:

HI3G Access AB
PO Box 7012
121 07 Stockholm - Globen
Sweden

Ultimate parent company:

CK Hutchison Holdings Limited
48th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Notes

19 Related parties and ownership structure (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 302,604k (2022: DKK 218,343k). 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 amounted to DKK 133,219k (2022: DKK 18,298k). The outstanding receivable was DKK 2,151k (2022: DKK 565k).

At year-end, the Company has a loan from its parent company, amounting to DKK 151,919k (2022: DKK 149,153k).

Consolidated financial statements

The Company is included in the consolidated financial statements of HI3G Holdings 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.

HI3G Holdings AB
PO Box 7012
121 07 Stockholm - Globen
Sweden

CK Hutchison Holdings Limited
48th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Notes

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
20 Fee to auditors appointed at the general meeting		
PricewaterhouseCoopers:		
Audit fee	1,059	981
Other assurance engagements	50	5
Tax advisory services	929	201
Non-audit services	838	19
	<u>2,876</u>	<u>1,206</u>
21 Adjustments for non-cash items		
Financial income	(5,270)	(618)
Financial costs	58,617	36,297
Depreciation and amortisation	492,710	1,343,122
Income from investments in joint ventures	(100)	(100)
Income taxes	(5,795)	(163,476)
	<u>540,162</u>	<u>1,215,225</u>
22 Cash flow statement - change in working capital		
Change in inventories	36,920	(11,524)
Change in receivables	18,790	122,891
Change in trade payables, etc.	(43,887)	(38,666)
	<u>11,823</u>	<u>72,701</u>