

On Tower Denmark ApS

CVR-nr. 26 12 34 96

Annual Report for 2020

The Annual Report was presented and adopted at
the Annual General Meeting of the Company on
30 June 2021



Chairman
JEPPE BUSKOV
ADVOKAT

KROMANN REUMERT
SUNDKROGSGADE 5, 2100 KØBENHAVN Ø

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Management's Statement on the Annual Report

The Executive Board and Board of Directors have today considered and adopted the Annual Report of On Tower Denmark ApS (the "Company") for the financial year 1 January - 31 December 2020.

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 2020 and of the results of the Company's operations and cash flows for 2020.

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

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

Copenhagen, 30 June 2021

Executive Board



Morten Ekebjærg Petersen

Board of Directors



Alexandre Mestre Molins
Chairman



Jose Maria Miralles Prieto

Jose Manuel Aisa Mancho



Morten Ekebjærg Petersen



Independent Auditor's Report

To the shareholders of On Tower Denmark ApS

Opinion

We have audited the financial statements of On Tower Denmark ApS for the financial year 1 January – 31 December 2020, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 December 2020 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

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

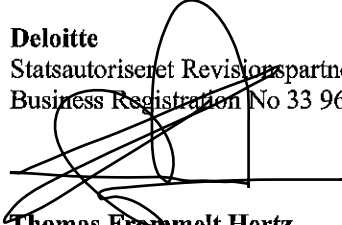
In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 30 June 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56



Thomas Frommelt Hertz
State-Authorised Public Accountant
Identification No (MNE) mne31543

Company Information

The Company

On Tower Denmark ApS
Scandiagade 8
DK-2450 København SV

CVR no: 26 12 34 96

Financial year: 1 January - 31 December

Municipality of
reg. office: Copenhagen

Board of Directors

Alexandre Mestre Molins, Chairman
Jose Maria Miralles Prieto
Jose Manuel Aisa Mancho
Morten Ekebjærg Petersen

Executive Board

Morten Ekebjærg Petersen

Auditor

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampgade 6
2300 København S

Financial Highlights

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

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|-------------------------------------|----------|-----------|-----------|-----------|-----------|
| | DKK '000 | DKK '000 | DKK '000 | DKK '000 | DKK '000 |
| Income statement | | | | | |
| Revenue | 202 839 | 0 | 0 | 0 | 0 |
| Gross profit | 200 826 | 0 | 0 | 0 | 0 |
| Operating profit | 100 155 | 0 | 0 | 0 | 0 |
| Net financials | 34 345 | 2 670 161 | 228 239 | 10 954 | 330 190 |
| Profit before income taxes | 134 500 | 2 670 161 | 228 239 | 10 954 | 330 190 |
| Income taxes | 17 067 | 0 | 0 | 0 | 0 |
| Profit for the year | 117 433 | 2 670 161 | 228 239 | 10 954 | 330 190 |
| Balance | | | | | |
| Balance sheet | | | | | |
| Investment in tangible fixed assets | 44 364 | 0 | 0 | 0 | 0 |
| Balance sheet total | 889 163 | 6 000 100 | 3 666 020 | 3 706 049 | 3 648 616 |
| Equity | 850 729 | 5 999 830 | 3 472 669 | 3 217 634 | 3 206 680 |
| Number of employees | 12 | 0 | 0 | 0 | 0 |
| Ratios | | | | | |
| Return on total assets | 11% | 0% | 0% | 0% | 0% |
| Solvency ratio | 96% | 100% | 95% | 87% | 88% |

For definitions, see under accounting policies.

Management's Review

Primary activity

The Company's principal activity is to operate telecommunications infrastructure, as well as other related business defined by the Directors.

Development in activities and finances

During 2020 HI3G Denmark ApS successfully transferred, by a partial demerger, their TowerCo business to the Company, hence the Company's principal activity became to operate telecommunications infrastructure.

For accounting purposes, the demerger was effective retrospectively from 1 January 2020. Net assets of mDKK 916 were received in the transfer.

In connection with the demerger, we entered into a long-term Master Service Agreement with customer representing a significant amount of the revenue, securing earnings and cashflow for the forthcoming years.

Gross profit ended on mDKK 201 and operating profit ended on mDKK 100, which was in line with expectations.

Uncertainty relating to recognition and measurement

Deferred tax assets (mDKK 374) are measured at the value at which the asset is expected to be realised. The expectations is supported by the Company's 10 year's budget and forecasts, but is in nature related with uncertainty increasing towards the end of the 10 year period.

Future development

Our expectation for 2021 is a gross profit between mDKK 210 and 230.

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.

Income Statement 1 January – 31 December

| | Note | 2020 DKK '000 | 2019 DKK '000 |
|--|------|------------------|------------------|
| Revenue | | 202 839 | 0 |
| Cost of sales | | (2 013) | 0 |
| Gross profit / loss | | 200 826 | 0 |
| External expenses | 1 | (77 100) | 0 |
| Staff costs | 2 | (5 013) | 0 |
| Other income | | 1 | 0 |
| Operating profit / loss before depreciations and amortisation | | 118 714 | 0 |
| Depreciation and amortisation | 3 | (18 559) | 0 |
| Operating profit / loss | | 100 155 | 0 |
| Result from investment in subsidiary | | 0 | 2 670 161 |
| Financial income | 4 | 34 348 | 817 |
| Financial expenses | 5 | (3) | (817) |
| Profit / loss before income taxes | | 134 500 | 2 670 161 |
| Income taxes | 6 | (17 067) | 0 |
| Profit / loss for the year | 7 | 117 433 | 2 670 161 |

Balance Sheet at 31 December

| Assets | <u>Note</u> | <u>2020</u> DKK '000 | <u>2019</u> DKK '000 |
|------------------------------------|-------------|-------------------------|-------------------------|
| Network infrastructure | | 436 463 | 0 |
| Equipment | | 4 | 0 |
| Assets under construction | | 29 722 | 0 |
| Tangible fixed assets | 8 | 466 189 | 0 |
| Investment in subsidiary | 9 | 0 | 100 |
| Deposits | | 16 661 | 0 |
| Financial asset investments | | 16 661 | 100 |
| Fixed assets | | 482 850 | 100 |
| Trade receivables | | 5 924 | 0 |
| Receivables from group enterprises | | 0 | 6 000 000 |
| Other receivables | | 10 472 | 0 |
| Corporation tax | | 11 019 | 0 |
| Deferred tax assets | 6 | 373 504 | 0 |
| Prepayments | 10 | 54 | 0 |
| Receivables | | 400 973 | 6 000 000 |
| Cash at bank and in hand | | 5 340 | 0 |
| Current assets | | 406 313 | 6 000 000 |
| Assets | | 889 163 | 6 000 100 |

Balance Sheet at 31 December

| | Note | 2020 | 2019 |
|---------------------------------|------|----------------|------------------|
| | | DKK '000 | DKK '000 |
| Liabilities and equity | | | |
| Share capital | | 64 400 | 64 375 |
| Retained earnings | | 786 329 | 5 935 455 |
| Equity | | 850 729 | 5 999 830 |
| Other provisions | 11 | 568 | 0 |
| Provisions | | 568 | 0 |
| Long-term debt | 12 | 953 | 0 |
| Long-term liabilities | | 953 | 0 |
| Trade payables | | 23 093 | 75 |
| Payables to group enterprises | | 0 | 195 |
| Other payables | | 13 820 | 0 |
| Current liabilities | | 36 913 | 270 |
| Liabilities | | 37 866 | 270 |
| Liabilities and equity | | 889 163 | 6 000 100 |
| Other notes | | | |
| Adjustment for non-cash items | 13 | | |
| Change in working capital | 14 | | |
| Contractual obligations | 15 | | |
| Contingent assets / liabilities | 16 | | |
| Related parties | 17 | | |

Statement of changes in equity

| | Share capital | Share premium | Retained earnings | Total |
|-----------------------------------|---------------|------------------|----------------------|------------------|
| | DKK '000 | DKK '000 | DKK '000 | DKK '000 |
| Equity at 1 January 2020 | 64 375 | 0 | 5 935 455 | 5 999 830 |
| Partial demerger | 25 | 916 232 | 0 | 916 257 |
| Transferred reserves | 0 | (916 232) | 916 232 | 0 |
| Extraordinary dividend | 0 | 0 | (6 182 791) | (6 182 791) |
| Net profit for the year | 0 | 0 | 117 433 | 117 433 |
| Equity at 31 December 2020 | 64 400 | 0 | 786 329 | 850 729 |
| | | | | |
| Equity at 1 January 2019 | 64 375 | 0 | 3 408 294 | 3 472 669 |
| Extraordinary dividend | 0 | 0 | (143 000) | (143 000) |
| Net profit for the year | 0 | 0 | 2 670 161 | 2 670 161 |
| Equity at 31 December 2019 | 64 375 | 0 | 5 935 455 | 5 999 830 |

Statement of cash flows

| | Notes | 2020 | 2019 |
|--|-------|--------------------|-------------------|
| | | DKK '000 | DKK '000 |
| Profit / loss for the year | | 117 433 | 2670 161 |
| Adjustment for non-cash items | 13 | 1 281 | 0 |
| Change in working capital | 14 | 6021 714 | (6000 050) |
| Financial income | | 34 348 | 817 |
| Financial expenses | | (3) | (817) |
| Income tax paid | | 33 907 | 0 |
| Cash flow from operating activities | | 6208 681 | (3329 889) |
| Investments in property, plant and equipment | | (44 364) | 0 |
| Netinvestment in joint ventures and other financial assets | | (16 561) | 0 |
| Sale of subsidiary | | 0 | 3472 889 |
| Cash flow from investing activities | | (60 925) | 3472 889 |
| Dividend paid to shareholder | | (6182 791) | (143 000) |
| Partial demerger | | 40 375 | 0 |
| Cash flow from financing activities | | (6 142 416) | (143 000) |
| Total cash flow | | 5 340 | 0 |
| Cash and cash equivalents at 1 January | | 0 | 0 |
| Cash and cash equivalents at 31 December | | 5 340 | 0 |

Notes to the Financial Statements

| | 2020 <u>DKK '000</u> | 2019 <u>DKK '000</u> |
|--|-------------------------|-------------------------|
| 1 External expenses | | |
| <i>Fees to auditor elected by the Annual General Meeting</i> | | |
| Audit fee | 360 | 0 |
| | <u>360</u> | <u>0</u> |
| 2 Staff costs | | |
| Wages and salaries | 9 066 | 0 |
| Pensions | 749 | 0 |
| Other social security expenses | 41 | 0 |
| | <u>9 856</u> | <u>0</u> |
| Of which capitalised | (4 843) | 0 |
| | <u>5 013</u> | <u>0</u> |
| With reference to the Danish Financial Statements Act, section 98B (3), the remuneration of the Executive board is not stated. | | |
| Average number of employees | <u>12</u> | <u>0</u> |
| 3 Depreciation and amortisation of tangible and intangible fixed assets | | |
| Network infrastructure | 18 453 | 0 |
| Equipment | 106 | 0 |
| | <u>18 559</u> | <u>0</u> |
| 4 Financial Income | | |
| Interest received from group enterprises | 34 348 | 817 |
| | <u>34 348</u> | <u>817</u> |
| 5 Financial expenses | | |
| Interest paid to group enterprises | 0 | 817 |
| Other financial expenses | 3 | 0 |
| | <u>3</u> | <u>817</u> |

| | 2020 | 2019 |
|--------------------------------------|----------------|----------|
| | DKK '000 | DKK '000 |
| 6 Deferred tax assets | | |
| Deferred tax 1 January 2020 | 0 | 0 |
| Deferred tax by demerger | 435 497 | 0 |
| Deferred tax for the year | (61 993) | 0 |
| Deferred tax 31 December 2020 | 373 504 | 0 |

The deferred tax asset is specified as follows:

| | | |
|------------------------|------------------|----------|
| Network infrastructure | (22 437) | 0 |
| Equipment | (17) | 0 |
| Goodwill | (349 800) | 0 |
| Provisions | (125) | 0 |
| Tax losses | (1 125) | 0 |
| | (373 504) | 0 |

Deferred tax has been provided at 22% corresponding to the current tax rate.

Changes in Income Statement

| | | |
|---------------------------|------------------|----------|
| Current tax for the year | 44 926 | 0 |
| Deferred tax for the year | (61 993) | 0 |
| Prior year adjustments | 0 | 0 |
| Tax effect for the year | (17 067) | 0 |

The recognized deferred tax assets primarily consist of goodwill transferred to On Tower Denmark ApS from demerger with the Parent company. The tax assets are expected to be utilized within 10 years through income generated from the ordinary business, by equalization in tax of future earnings.

Expected utilisation of deferred tax asset:

| | | |
|----------|----------------|----------|
| 0-1 year | 22 740 | 0 |
| > 1 year | 350 764 | 0 |
| | 373 504 | 0 |

| | 2020 | 2019 |
|--|----------------|-----------------|
| | DKK '000 | DKK '000 |
| 7 Distribution of profit | | |
| Proposed distribution of profit | | |
| Extraordinary dividend | (6182 791) | (143 000) |
| Transfer to retained earnings | 6300 224 | 2527 161 |
| | <u>117 433</u> | <u>2670 161</u> |

8 Tangible fixed assets

| | Network infrastructure | Assets under construction |
|---|---------------------------|------------------------------|
| | DKK '000 | DKK '000 |
| Cost at 1 January 2020 | 0 | 0 |
| Cost by demerger | 401 651 | 38 627 |
| Additions for the year | 6 927 | 37 433 |
| Transfers for the year | 46 338 | (46 338) |
| Cost at 31 December 2020 | <u>454 916</u> | <u>29 722</u> |
| Depreciation at 1 January 2020 | 0 | 0 |
| Depreciation for the year | 18 453 | 0 |
| Disposals for the year | 0 | 0 |
| Depreciation at 31 December 2020 | <u>18 453</u> | <u>0</u> |
| Carrying amount 31 December 2020 | <u>436 463</u> | <u>29 722</u> |

| | Equipment |
|---|-----------------|
| | DKK '000 |
| Cost at 1 January 2020 | 0 |
| Cost by demerger | 106 |
| Adjusted Cost at January 2020 | <u>106</u> |
| Additions for the year | 4 |
| Cost at 31 December 2020 | <u>110</u> |
| Depreciation at 1 January 2020 | 0 |
| Depreciation for the year | 106 |
| Depreciation at 31 December 2020 | <u>106</u> |
| Carrying amount 31 December 2020 | <u>4</u> |

| | 2020 DKK '000 | 2019 DKK '000 |
|---|------------------|-------------------|
| 9 Investment in subsidiary | | |
| Cost at 1 January | 100 | 5 045 523 |
| Additions for the year | 0 | 0 |
| Disposals for the year | (100) | (5 045 423) |
| Cost at 31 December | <u>0</u> | <u>100</u> |
| Revaluations at 1 January | - | (1 572 534) |
| Dividend to shareholder | | (143 000) |
| Result after tax for the year | | 295 297 |
| Reversal of revaluations | - | 1 420 237 |
| Revaluations at 31 December | <u>0</u> | <u>-</u> |
| Carrying amount 31 December 2020 | <u>0</u> | <u>100</u> |

10 Prepayments

Prepayments consist of prepaid expenses concerning insurance premiums, subscriptions and interest

11 Other provisions

| | | |
|---------------------------------------|-------------------|-----------------|
| Provisions at 1 January | 0 | 0 |
| Addition by demerger | 553 | 0 |
| Adjusted Provisions at January 2020 | <u>553</u> | <u>0</u> |
| Additions for the year | 15 | 0 |
| Disposals for the year | 0 | 0 |
| Provisions at 31 December 2020 | <u>568</u> | <u>0</u> |

Other provisions consists of restoration obligation of leases.

12 Long-term debt

| | | |
|---|-------------------|-----------------|
| More than 5 years | 0 | 0 |
| Repayment between 1 and 5 years | 953 | 0 |
| Long-term debt at 31 December 2020 | <u>953</u> | <u>0</u> |

| | <u>2020</u> DKK '000 | <u>2019</u> DKK '000 |
|--|-------------------------|--------------------------|
| 13 Adjustment for non-cash items | | |
| Financial income | (34 348) | (817) |
| Financial expenses | 3 | 817 |
| Depreciation and amortisation | 18 559 | 0 |
| Income taxes | 17 067 | 0 |
| | <u>1 281</u> | <u>0</u> |
| 14 Change in working capital | | |
| Change in receivables | 5983 550 | (5806 969) |
| Change in trade payables, etc. | 38 164 | (193 081) |
| | <u>6021 714</u> | <u>(6000 050)</u> |
| 15 Contractual obligations | | |
| Rental and lease obligations from operating leases. Total future rental and lease payments: | | |
| Within 1 year | 50 612 | 0 |
| Between 1 and 5 years | 53 628 | 0 |
| More than 5 years | 9 758 | 0 |
| | <u>113 998</u> | <u>0</u> |
| 16 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.

17 Related parties

| | <u>Basis</u> |
|---|-------------------------|
| Controlling interest | |
| Cellnex Denmark ApS Sundkrogsgade 5 DK-2100 København Ø | Controlling shareholder |
| Cellnex Telecom S.A. Calle Juan Esplandiú 11-13 28007 Madrid Spain | Ultimate parent company |

Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

Consolidated Financial Statements

The Company is included in the consolidated financial statements of Cellnex Telecom S.A.; Calle Juan Esplandiú 11-13, 28007 Madrid, 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.

Accounting Policies

Basis of Preparation

The Annual Report of On Tower Denmark ApS for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied are unchanged from previous year.

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

Business combinations

The uniting-of-interests method is applied on demergers etc where the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of comparative figures. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

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.

Operating leases

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

Income Statement

Revenue

Revenue from the sale of services is recognised when the risks and rewards relating to the services have been rendered to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Other income

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

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.

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

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 |

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.

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.

Fixed assets investments

Fixed assets investments consist of deposits.

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.

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.

Deferred tax assets and liabilities

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.

Financial liabilities

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

Statement of cash flow

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

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

Financial Ratios

The financial ratios have been calculated as follows:

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