GlobalConnect A/S

Hørskætten 3, 2630 Taastrup

CVR no. 26 75 97 22

Annual report 2017

Approved at the Company's annual general meeting on 16 April 2018

Chairman:

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Building a better
working world

Contents

Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of GlobalConnect A/S for the financial year 1 January - 31 December 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Taastrup, 16 April 2018
Executive Board:

Christian Holm Christensen

Pernille Ravn

Board of Directors:

Per Morten Torvildsen
Chairman

Masoud Homayoun

Per Svante Östblom

Martin Lippert

Peter Bredgaard

Independent auditor's report

To the shareholders of GlobalConnect A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of GlobalConnect A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for both the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2017 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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 as to 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 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 the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditor's report

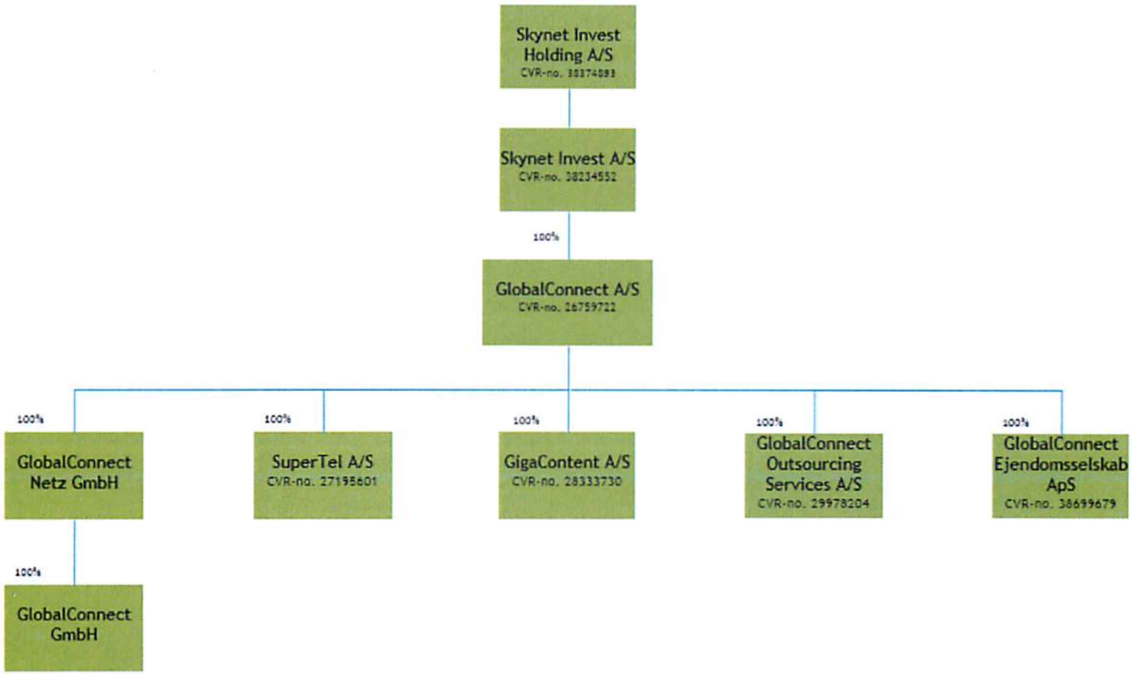
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 16 April 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender	Thomas Bruun Kofoed
State Authorised	State Authorised
Public Accountant	Public Accountant
MNE no.: mne21332	MNE no.: mne28677

Management's review

Group chart



Management's review

Financial highlights for the Group

In DKK million	2017	2016	2015	2014	2013
Key figures					
Revenue	694	607	537	477	502
Gross profit	413	379	339	296	316
Result before depreciation and amortisation (EBITDA)	244	230	205	189	189
Operating profit (EBIT)	108	100	92	65	83
Financial income and expenses, net	-100	-48	-48	-39	-24
Profit/loss for the year	-19	38	34	24	64
Non-current assets	1,946	1,789	1,730	1,691	1,625
Current assets	311	278	283	285	203
Total assets	2,257	2,067	2,013	1,976	1,828
Equity	359	619	593	567	566
Non-current liabilities	1,353	985	987	789	839
Current liabilities	545	463	433	620	423
Cash flows from operating activities	256	104	-99	313	106
Cash flow from investing activities	-325	-167	-152	-176	-226
Cash flows from financing activities	83	56	162	-43	131
Total cash flows	14	-7	-89	94	11
Financial ratios					
Profit margin	15.6	16.5	17.1	13.6	16.5
Gross margin	59.5	62.4	63.1	62.1	62.9
Current ratio	57.1	66.7	65.4	46.0	48.0
Equity ratio	15.9	29.9	29.5	28.7	31.0
Return on equity	-3.9	6.3	5.9	4.2	11.7
Average number of full-time employees	262	226	193	175	172

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.

The financial ratios stated under "Financial highlights" have been calculated as follows:

Profit margin $$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$$

Gross margin $$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Current ratio $$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$

Equity ratio $$\frac{\text{Equity excl. non-controlling interests, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$$

Return on equity $$\frac{\text{Profit/loss for the year excl. non-controlling interests} \times 100}{\text{Average equity excl. non-controlling interests}}$$

Management's review

Main activity

GlobalConnect is an independent fibre infrastructure provider that offers efficient and secure data networking, data center solutions and cloud services. The digitalization, requirement for efficient communication and outsourcing trends within enterprise and public sector are continuously redefining how we work and have the potential to deliver immense benefits to society; via its network and data center infrastructure, GlobalConnect benefits from these underlying megatrends. GlobalConnect covers all of Denmark, Northern Germany and parts of Sweden with more than 15,000 km of high-speed optical fibre network and more than 13,000 m2 of data centers. GlobalConnect also acts as a turnkey supplier of international lines and services via partnering with other telecommunication operators outside the Company's own coverage area.

Achievements and financial development

The GlobalConnect Group net revenue was DKK 694 million (2016: DKK 607 million) and EBITDA DKK 244 million (2016: DKK 230 million).

The 2017 financial year was another successful year for GlobalConnect with growth in both revenue and EBITDA. During 2017, GlobalConnect saw positive customer order intake in both direct B2B sales in Denmark and Germany as well as in our wholesale business. As for revenue and EBITDA, 2017 was the best year in the history of GlobalConnect, also supported by the fact that GlobalConnect came out of 2017 stronger on all markets.

In February 2017, a significant event occurred as EQT's infrastructure fund closed its acquisition of the Company. The founding Zibrandtsen family will continue as shareholders but will no longer hold the majority of shares in GlobalConnect. As a result of the acquisition, 2017 EBITDA was significantly affected with one-off transaction related costs. Despite this fact, the EBITDA of GlobalConnect was higher than ever before.

As the new shareholders refinanced the Company at closing, financial expenses were influenced by one-off effects from refinancing and related fees. During 2017, GlobalConnect had a positive operating cash flow with an EBITDA cash conversion rate of close to 1.

In June 2017, GlobalConnect entered into an agreement to acquire Nianet, the Danish electricity companies' jointly-owned B2B fibre network provider. The transaction is pending competition approval and is expected to close during 2018.

During the year, GlobalConnect also continued the work of adding additional customers to the various network and service platforms already in operation. GlobalConnect has also initiated further efficiency programs, refined and extended already implemented enterprise resource planning systems. These developments have provided Management with new business intelligence tools and automatized an increasing amount of processes in GlobalConnect. During 2017, focus has also been on improving the customer experience.

GlobalConnect's 2017 financial performance was in line with expectations and both the Board and Management consider it satisfactory.

GlobalConnect expects the Company's growth to continue during 2018 due to the significant growth in bandwidth demand, as well as the demand for data center services, which creates continued optimism for further growth. The Company expects operating results to increase compared to 2017.

No ordinary dividend was proposed for 2017. Interim dividend was paid during 2017.

Post balance sheet events

No events have occurred from the balance sheet date until the date of signature of the annual report that could change the assessment of the Company's financial position.

Management's review

Risks

General risks

The price level of GlobalConnect products is based on supply and demand of the Danish and international telecommunications and data markets and is not exposed to particular price-related risks. The majority of contracts cover a longer period of time than a single financial year.

Financial risks

The main part of GlobalConnect's activities are settled in Danish currency (DKK), but due to activities abroad, the result, cash flow and equity are to some extent influenced by exchange and interest rate developments of the Euro.

Environment

GlobalConnect is working on optimizing the consumption of energy in order to contribute to minimizing the global CO_2 emissions impact. Such efforts could be strengthened further as part of the GlobalConnect Group's overall Corporate Social Responsibility work (CSR) through improved terms for the supply of waste heat to district heating systems. GlobalConnect is optimistic regarding reuse of heat from cooling systems and during 2017 was one of the leading companies in getting the legislation changed, so reuse of heat is not extra taxed as is the case today. Hence, GlobalConnect expects that this will become the general standard for all data center players in the market to avoid unbalanced competition in Denmark, and that the legislation will be adjusted accordingly. Furthermore, GlobalConnect is actively reducing CO_2 emission by replacing server infrastructure with less CO_2 consuming server infrastructure. During 2017, app. 2000 virtual servers were moved to new and more energy saving hardware platforms. The total saving on CO_2 emission amounts to estimated 241 ton pr. year.

Research and development

GlobalConnect aims at applying the newest technologies and wants to encourage investments in the next generation of the IKT community through active participation in selected professional and industrial bodies and boards. GlobalConnect works together with research institutions and development companies in order to support the development of disciplines within the telecommunications and knowledge industry. This work has among other things led to cooperation with a number of foreign companies to intensify knowledge development and interest in innovation in Denmark.

Future trends

GlobalConnect continuously focuses on securing and developing its market position through controlled growth based on an increased focus on processes and improvement of operational efficiency. Such measures are expected to increase profitability and strengthen competitiveness. In the GlobalConnect Group, we continuously work to increase our range of products and services in order to improve customer satisfaction. Furthermore, we expect to order a build-out of data center facilities to meet the increasing demand.

GlobalConnect will continue to improve support and product portfolio for our partners, improving their competitive edge.

CSR - Corporate Social Responsibility

GlobalConnect makes it possible for all employees to develop their competences in order to make a difference through their personal commitment and diversity. We strive to find a reasonable work-life balance and strive to ensure equal rights to everybody, regardless of gender, ethnic background, physical performance etc.

Management's review

The number of group employees was 288 at 31 December 2017.

We base all decisions as for employment, promotion, dismissal, wages and other work conditions on relevant and objective criteria.

The status for the gender distribution in GlobalConnect's top management is 33% women. Status of the gender distribution of the Board of Directors in GlobalConnect is 0% women out of a total of five Board members. GlobalConnect aims at getting 33% women in both the Board and Management over a four-year period, provided that best-qualified persons, irrespective of gender, ethnic background, citizenship, physical performance etc., are available for the position. Current status is due to qualifications among candidates, however the four-year goal remains.

GlobalConnect aims, at any time, to have positions filled with the best-qualified persons, irrespective of gender, ethnic background, citizenship, physical performance etc. Representation will follow qualification. We aim to make sure that applicants may apply for any position on equal terms.

Our vision is to develop nationwide fibre infrastructure coverage in Denmark and regional coverage in Germany to offer data communication for all individuals close to our infrastructure.

Our policies and reporting within this area are based on the UN Global Compact's ten principles within the areas of human rights, labor (rights), environment and anti-corruption.

We will contribute to a cleaner technology and more efficient energy consumption in society through the provision of our products and services. At the same time, we are reducing our own CO2 emission as well as other forms of environmental impact by the GlobalConnect Group. Purchasing products under appropriate and safe conditions and safeguarding that they are being disposed of in an environmentally sound way further encourages this.

GlobalConnect wants to be known as a company that focuses on skillful leadership, employee satisfaction, motivation and a sound environment while at the same time, we develop the competences of our employees so that they may make a difference by their personal commitment and diversity. Furthermore, our staff policy comprises anti-corruption rules, prohibition of child and compulsory labor as well as a policy of non-discrimination regardless of gender, age and ethnic background.

In 2017, the level of "long-term fit" employees in GlobalConnect was 99% seen as the number of days absent from work due to illness divided with the total amount of workdays in a year. The "long-term fit" rate in GlobalConnect is higher than the Danish national average and is considered satisfactory but will remain a focus area of GlobalConnect going forward.

GlobalConnect has formed a working environment committee with representatives from Management as well as employees. The committee brings up relevant environmental matters in order to secure a perennially optimal working environment for the employees' daily work. GlobalConnect focuses on the health of our employees. The aim is to keep our employees fit and healthy and to create an environment where the employees are aware of the well-being and long-term health status of their colleagues. We offer exercise facilities to employees at our offices in Denmark and Germany. Moreover, we have an active staff association, we focus on healthy food and we offer an attractive pension scheme and health insurance. Furthermore, GlobalConnect sets demands to suppliers regarding health, security and working environment.

In 2017, GlobalConnect A/S remained a member of an initiative called Code Camps, which brings a greater understanding of technology into Danish secondary schools (children age 12-16). The project started in 2016 and it involves the City of Copenhagen, the Ministry of Education together with other private IT companies and The Danish IT Industry Association.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

Note	DKK'000	Group 2017	Group 2016	Parent 2017	Parent 2016
3	**Revenue**	693,669	606,794	584,530	512,228
	Production costs	-218,813	-165,777	-268,228	-182,195
	Other operating income	0	384	0	70
4	Other external expenses	-61,979	-62,265	-46,463	-46,210
	Gross profit	412,877	379,136	269,839	283,893
5	Staff costs	-168,798	-149,431	-108,523	-96,642
	Profit before depreciation (EBITDA)	244,079	229,705	161,316	187,251
	Depreciation, amortisation and write-down	-131,162	-127,156	-97,998	-97,456
	Other operating expenses	-4,549	-2,073	-5	-1,264
	Operating profit (EBIT)	108,368	100,476	63,313	88,531
6	Income from investments in subsidiaries	0	0	24,021	6,124
7	Financial income	6,210	10,984	10,537	12,592
8	Financial expenses	-105,890	-59,085	-104,870	-58,090
	Profit before tax	8,688	52,375	-6,999	49,157
9	Tax	-28,125	-13,991	-12,243	-8,521
10	**Profit/loss for the year**	-19,437	38,384	-19,242	40,636

	Group 2017	Group 2016
Breakdown of the consolidated results of operations:		
Shareholders, GlobalConnect A/S	-19,242	40,636
Minority interests	-195	-2,252
	-19,437	38,384

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	Group 2017	Group 2016	Parent 2017	Parent 2016
	ASSETS				
	Non-current assets				
11	**Intangible assets**				
	Development costs	16,854	12,504	16,854	12,504
	Rights to use and licenses	13,103	13,427	8,808	7,801
	Consolidated goodwill	19,521	26,000	0	0
		49,478	51,931	25,662	20,305
12	**Property, plant and equipment**				
	Land and buildings	25,609	26,428	22,741	24,071
	Other fixtures and equipment	234,645	243,947	181,739	187,099
	Leasehold improvements	3,780	4,725	1,427	1,788
	Facility housing	157,181	117,032	118,752	114,406
	Fibre/ducts	1,181,744	1,193,017	948,150	913,017
	Spare parts	33,109	31,314	29,956	29,360
	Tangible assets under construction	195,170	50,977	69,356	17,653
		1,831,238	1,667,440	1,372,121	1,287,394
	Other non-current assets				
13	Investments in subsidiaries	0	0	243,351	329,676
14	Deposits	5,181	5,307	4,137	4,013
15	Receivables regarding financial leases	59,704	64,359	25,349	28,311
		64,885	69,666	272,837	362,000
	Total non-current assets	1,945,601	1,789,037	1,670,620	1,669,699
	Current assets				
	Receivables				
	Trade receivables	241,408	216,327	208,058	168,843
	Receivables from group enterprises	0	13,890	507,467	289,254
	Other receivables	20,967	8,822	10,597	8,297
	Prepayments	23,682	28,149	15,882	22,014
		286,057	267,188	742,004	488,408
	Cash	25,535	11,263	134	1,374
	Total current assets	311,592	278,451	742,138	489,782
	TOTAL ASSETS	2,257,193	2,067,488	2,412,758	2,159,481

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group 2017	Group 2016	Parent 2017	Parent 2016
	EQUITY AND LIABILITIES				
	Equity				
16	Share capital	2,325	2,542	2,325	2,542
	Reserve for revaluations	0	0	12,465	13,166
	Reserve for net revaluation according to the equity method	0	0	549	21,048
	Reserve for development costs	0	0	7,778	2,334
	Retained earnings	356,239	616,312	335,447	579,764
	Dividend proposed for the year	0	0	0	0
	Equity holders' share of equity, GlobalConnect A/S	358,564	618,854	358,564	618,854
	Minority interests	0	-1	0	0
	Total equity	358,564	618,853	358,564	618,854
	Non-current liabilities				
17	Deferred tax	169,423	148,804	164,156	155,905
18	Other provisions for liabilities	1,687	1,962	1,687	1,962
19	Mortgage loans	1,093,678	9,188	1,093,678	9,188
19	Bonds	0	684,800	0	684,800
19	Derivative financial instruments	0	13,096	0	13,096
19	Prepayments received	42,204	67,892	45,804	55,682
19	Other long-term liabilities	46,635	59,728	28,361	36,811
	Total non-current liabilities	1,353,627	985,470	1,333,686	957,444
	Current liabilities				
19	Current portion of long-term liabilities	171,053	171,053	160,518	163,865
	Debt to financial institutions	26,020	3,672	26,020	0
	Prepayments received	0	34,601	0	34,268
	Trade payables	97,178	35,420	73,264	17,877
	Payables to group enterprises	2,118	0	254,298	193,069
	Corporate tax	5,601	3,252	0	0
	Joint tax contribution payable	0	10,277	0	12,661
	Other liabilities	81,063	81,149	67,159	66,727
20	Accruals and deferred income	161,969	123,741	139,249	94,716
	Total current liabilities	545,002	463,165	720,508	583,183
	Total liabilities	1,898,629	1,448,635	2,054,194	1,540,627
	TOTAL LIABILITIES	2,257,193	2,067,488	2,412,758	2,159,481

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Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

		Group				
Note	DKK'000	Share capital	Retained earnings	Proposed dividend for the financial year	Minority interests	Total equity
	Equity at 1 January 2016	2,542	571,246	17,250	2,251	593,289
	Dividend distribution	0	0	-17,250	0	-17,250
	Dividend own shares	0	1,471	0	0	1,471
	Foreign exchange adjustments	0	-1,093	0	0	-1,093
	Tax on equity transactions	0	4,052	0	0	4,052
	Transfer to/from other items	0	0	0	0	0
10	Transfer, see "Appropriation of profit/loss"	0	40,636	0	-2,252	38,384
	Equity at 1 January 2017	2,542	616,312	0	-1	618,853
	Reduction of share capital	-217	217	0	0	0
	Dividend distribution	0	-200,975	0	0	-200,975
	Foreign exchange adjustments	0	390	0	0	390
	Purchase of minority interests	0	-40,463	0	196	-40,267
	Transfers to/from other items	0	0	0	0	0
10	Transfer, see "Appropriation of profit/loss"	0	-19,242	0	-195	-19,437
	Equity at 31 December 2017	2,325	356,239	0	0	358,564

Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

		Parent						
Note	DKK'000	Share capital	Reserve for revaluations	Reserve for development costs	Reserve for net revaluations under the equity method	Retained earnings	Proposed dividend for the financial year	Total equity
	Equity at 1 January 2016	2,542	13,903	0	16,017	541,326	17,250	591,038
	Dividend distribution	0	0	0	0	0	-17,250	-17,250
	Dividend own shares	0	0	0	0	1,471	0	1,471
	Foreign exchange adjustment	0	0	0	-1,093	0	0	-1,093
	Tax on equity transactions	0	0	0	0	4,052	0	4,052
	Transfer to/from other items	0	-575	2,334	0	-1,759	0	0
10	Transfer, see "Appropriation of profit/loss"	0	0	0	6,124	34,512	0	40,636
	Equity at 1 January 2017	2,542	13,328	2,334	21,048	579,602	0	618,854
	Reduction of share capital	-217	0	0	0	217	0	0
	Dividend distribution	0	0	0	0	-200,975	0	-200,975
	Foreign exchange adjustments	0	0	0	390	0	0	390
	Purchase of minority interests	0	0	0	0	-40,463	0	-40,463
	Transfers to/from other items	0	-547	5,444	0	-4,897	0	0
	Transfers to/from other items	0	0	0	-51,389	51,389	0	0
	Transfer, see "Appropriation of profit/loss"	0	0	0	30,500	-49,742	0	-19,242
	Equity at 31 December 2017	2,325	12,781	7,778	549	335,131	0	358,564

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	Group 2017	Group 2016
	Profit/loss for the year	-19,437	38,384
	Reversed depreciation and amortisation of the year	131,162	126,216
	Change in net present value of non-guaranteed scrap values	-1,761	204
	Amortised prepayments	-26,277	-34,669
	Reversed amortized loan costs	70,567	4,656
	Reversed tax on profit for the year	28,125	13,991
	Other adjustments	17,217	4,641
	Cash generated from operations before changes in working capital	199,596	153,423
25	Changes in working capital	72,301	-38,184
	Cash generated from operations	271,897	115,239
	Income taxes paid	-15,434	-10,954
	Cash flows from operating activities	256,463	104,285
	Acquisition of intangible assets	-12,073	-19,411
	Acquisition of property, plant and equipment	-305,063	-152,517
	Disposal of property, plant and equipment	30,516	5,100
	Acquisition and disposal of financial assets	1,885	-189
	Other financial investments	-40,267	0
	Cash flows from investing activities	-325,002	-167,017
	Proceeds from mortgage loans	1,180,215	0
	Repayment of mortgage loans	-26,344	0
	Redemption of bonds	-754,514	0
	Proceeds from bank debt	0	40,909
	Repayment of bank debt	-128,593	-674
	Proceeds from intercompany loans	63,235	0
	Financial leasing	-37,117	36,749
	Other changes in long-term debt	-13,096	-5,323
	Shareholders:		
	Dividend distribution	-200,975	-15,779
	Cash flows from financing activities	82,811	55,882
	Change in cash and cash equivalents	14,272	-6,850
	Cash and cash equivalents, beginning of year	11,263	18,113
	Cash and cash equivalents, year-end	25,535	11,263

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies**

The annual report of GlobalConnect A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The financial statements have been prepared in accordance with the same accounting policies as last year.

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company GlobalConnect A/S and subsidiaries controlled by GlobalConnect A/S.

Control means the power to exercise decisive influence over a subsidiary's financial and operating decisions. Moreover, the possibility of yielding a return from the investment is required.

In assessing if the Parent Company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity may become empowered to exercise decisive influence over another entity's financial and operating decisions.

Preparation of consolidated financial statements

The consolidated financial statements have been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised losses are eliminated in the same way as unrealised gains unless they do not reflect impairment.

In the consolidated financial statements, the items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the Group's profit/loss and equity, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

Business combinations

Recently acquired entities are recognised in the consolidated financial statements from the date of acquisition. Entities sold or otherwise disposed of are recognised up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities. Discontinued operations are presented separately, see below.

The date of acquisition is the date when the Group actually obtains control of the acquiree.

The purchase method is applied to acquisitions of new businesses over which the Group obtains control. The acquired businesses' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 **Accounting policies (continued)**

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill under "Intangible assets". Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the presentation currency used in the consolidated financial statements are accounted for as assets and liabilities belonging to the foreign entity and are, on initial recognition, translated into the foreign entity's functional currency using the exchange rate at the transaction date.

The consideration paid for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed terms, such part of the consideration is recognised at fair value at the date of acquisition. Subsequent adjustments of contingent considerations are recognised in the income statement.

Expenses incurred to acquire entities are recognised in the income statement in the year in which they are incurred.

Where, at the date of acquisition, the identification or measurement of acquired assets, liabilities, contingent liabilities or the determination of the consideration is associated with uncertainty, initial recognition will take place on the basis of provisional values. If it turns out subsequently that the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Hereafter, any adjustments are recognised as misstatements.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries are considered separate entities. Items in such entities' income statements are translated at average exchange rates for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign entities to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Foreign exchange adjustments of balances with separate foreign subsidiaries which are considered part of the total investment in the subsidiary are taken directly to equity.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with fair value adjustments of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity must be transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously recognised in equity must be transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

Income statement

Revenue

On the conclusion of sales contracts which consist of several, separate sales transactions, the contract price is split up into the individual sales transactions based on the relative fair value approach. The separate sales transactions are recognised as revenue when the criteria for sale of goods, services or construction contracts are met.

A contract is split up into individual transactions when the fair value of each individual sales transaction can be calculated reliably and when each individual sales transaction has a separate value for the purchaser. Sales transactions are deemed to have a separate value for the purchaser when the transaction is individually identifiable and is usually sold separately.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Revenue from the sale of goods

Income from the sale of goods, including income from fibres, rights to use etc., is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue from the sale of services

Income from the sale of services, which include service contracts to products and services sold, is recognised on a straight-line basis as the services are rendered.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Production costs

Production costs comprise costs incurred in generating the year's revenue. Such costs include direct and indirect costs related to fibres, raw materials and consumables.

Other operating income

Other operating income comprises items secondary to the entities' activities, including gains on disposal of intangible assets and items of property, plant and equipment.

Other external expenses

Other external expenses comprise expenses relating to distribution, sale, advertising, administration, premises, bad debts, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

Other operating expenses

Other operating expenses comprise items secondary to the entities' activities, including losses on disposal of intangible assets and items of property, plant and equipment.

Profit/loss from equity investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax for the year

The Parent Company is subject to the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date when they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The Parent Company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

The tax expense for the year, which comprises the year's current tax charge, joint taxation contributions 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

Goodwill

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is estimated to 5 years. The amortisation period is fixed on the basis of the expected repayment horizon, longest for strategically acquired business enterprises with strong market positions and long-term earnings profiles.

Development projects and licences

Development costs comprise expenses, salaries and amortisation charges directly attributable to development activities.

Development projects that are clearly defined and identifiable and where the technical feasibility, sufficient resources and a potential future market or development potential are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is 5 years.

Licences are measured at cost less accumulated amortisation and impairment losses. Licences are amortised over the term of the licence, however not exceeding 15 years.

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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 and salaries.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 **Accounting policies (continued)**

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Fibre/ducts	20-40 years
Sea cables, housing and transmissions equipment	10-15 years
Other fixtures and equipment	3-10 years
Leasehold improvements	10 years
Buildings	20 years

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement.

Gains and losses on the disposal 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 date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the net present value of future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as discount factor. Assets held under finance leases are subsequently accounted for as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed in contingencies, etc.

Equity investments in subsidiaries

Equity investments in subsidiaries are measured according to the equity method in the parent company financial statements.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding the consolidated financial statements above.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies in the consolidated financial statements. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and equity investments in subsidiaries and associates is tested annually for impairment.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the net present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the net present value of the expected cash flows, including the realisable value of any collateral received.

Cost price of financial lease contracts is recorded at the lower of market value and net present value of the future lease payments. The net present value is calculated by using the lease contracts' internal interest rate or an approximation thereof as discounting factor.

Prepayments

Prepayments recognised under "Current assets" comprise expenses incurred concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of equity investments in subsidiaries is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve can be eliminated in case of losses, realisation of equity investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Dividend

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the general meeting (declaration date). Dividend expected to be distributed for the year is disclosed as a separate item under equity.

Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Joint tax contribution receivable" or "Joint tax contribution payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting neither the profit/loss for the year nor the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

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.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income, recognised under "Liabilities", comprises payments received concerning income in subsequent years.

Cash flow statement

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

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from corporate acquisitions are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 **Accounting policies (continued)**

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and income taxes paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and financial assets.

Cash flows from financing activities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities.

2 **Events after the balance sheet date**

There have been no subsequent events of significance to the annual report 2017 after the end of the financial year on 31 December 2017.

3 **Segment information**

Revenue distributed on products

	Group		Parent	
DKK'000	2017	2016	2017	2016
Fibre - use and maintenance, transmission	316,144	319,703	312,314	312,136
Letting out of premises and tele houses incl. power	116,558	106,592	107,430	97,529
Sale of ducts and fibre systems	131,620	72,783	65,149	56,945
Other revenue	129,347	107,716	99,637	45,618
Net revenue	693,669	606,794	584,530	512,228

Revenue distributed geographically

Domestic	453,151	449,314	432,370	397,353
Abroad	240,518	157,480	152,160	114,875
Net revenue	693,669	606,794	584,530	512,228

Consolidated financial statements and parent company financial statements 1 January - 31 December

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DKK'000	Group 2017	Group 2016	Parent 2017	Parent 2016
4 Fees paid to auditors appointed at the annual general meeting				
Total fee:				
Total fee to EY	1,587	0	936	0
Total fee to BDO	0	1,675	0	1,349
Fee for statutory audit	922	783	515	500
Assurance engagements	506	460	262	460
Other accounting and tax services	159	432	159	389
	1,587	1,675	936	1,349
5 Staff costs				
Wages and salaries	180,336	156,338	123,630	109,014
Pensions	15,815	13,506	11,368	9,708
Other social security costs	1,479	1,408	1,084	1,045
Other staff costs	6,129	5,173	4,614	3,869
	203,759	176,425	140,696	123,636
Capitalised wages and salaries related to development projects and property, plant and equipment	-34,961	-26,994	-32,173	-26,994
Total	168,798	149,431	108,523	96,642
Average number of full-time employees	262	226	184	161

Staff costs include remuneration to the Parent Company's Executive Board, totalling DKK 18,653 thousand (2016: DKK 6,677 thousand) and directors' fees to the members of the Parent Company's Board of Directors, totalling DKK 957 thousand (2016: DKK 992 thousand).

DKK'000	Group 2017	Group 2016	Parent 2017	Parent 2016
6 Income from investments in subsidiaries				
Results of equity investments in group enterprises	0	0	24,021	6,124
	0	0	24,021	6,124
7 Financial income				
Interest income from affiliated companies	0	1,342	6,054	4,231
Other interest income	3,865	9,280	2,578	8,003
Currency exchange	2,345	362	1,905	358
	6,210	10,984	10,537	12,592

Consolidated financial statements and parent company financial statements 1 January - 31 December

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	DKK'000	Group 2017	Group 2016	Parent 2017	Parent 2016
8	**Financial expenses**				
	Interest expenses, affiliated companies	11,951	0	12,477	0
	Other interest expenses	92,445	57,404	91,258	56,456
	Currency exchange	1,494	1,681	1,135	1,634
		105,890	59,085	104,870	58,090

The Company initiated an early redemption of issued bonds resulting in a one-off expense of DKK 70,204 thousand recognised in other interest expenses in 2017.

		Group 2017	Group 2016	Parent 2017	Parent 2016
9	**Tax for the year**				
	Current tax charge for the year	6,168	18,926	2,643	15,683
	Tax adjustment relating to prior years	1,349	-745	1,349	-1,029
	Adjustment of the deferred tax charge for the year	20,608	-4,190	8,251	-6,133
		28,125	13,991	12,243	8,521

		Group 2017	Group 2016	Parent 2017	Parent 2016
10	**Appropriation of profit/loss**				
	Recommended appropriation of profit/loss				
	Transferred to reserves under equity	0	0	30,500	6,124
	Retained earnings	-19,242	40,636	-49,742	34,512
	Non-controlling interests	-195	-2,252	0	0
		-19,437	38,384	-19,242	40,636

Consolidated financial statements and parent company financial statements 1 January - 31 December

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11 Intangible assets

DKK'000	Group Development costs	Rights to use and licenses	Consolidated goodwill	Total
Cost at 1 January 2017	18,905	25,101	46,021	90,027
Adjustments	0	19,522	0	19,522
Additions	3,963	0	0	3,963
Transferred from tangible assets under construction	4,132	3,978	0	8,110
Disposals	0	-6,029	0	-6,029
Cost at 31 December 2017	27,000	42,572	46,021	115,593
Amortisation and impairment losses at 1 January 2017	6,401	11,674	20,021	38,096
Adjustments	0	15,201	0	15,201
Amortisation	3,745	4,128	6,479	14,352
Disposals of amortisations	0	-1,534	0	-1,534
Amortisation and impairment losses at 31 December 2017	10,146	29,469	26,500	66,115
Carrying amount at 31 December 2017	16,854	13,103	19,521	49,478
Amortised over	5 years	0-15 years	5 years	

DKK'000	Parent Development cost	Rights to use and licenses	Total
Cost at 1 January 2017	18,905	17,280	36,185
Additions	3,963	0	3,963
Transferred from tangible assets under construction	4,132	3,978	8,110
Cost at 31 December 2017	27,000	21,258	48,258
Amortisation and impairment losses at 1 January 2017	6,401	9,479	15,880
Amortisation	3,745	2,971	6,716
Amortisation and impairment losses at 31 December 2017	10,146	12,450	22,596
Carrying amount at 31 December 2017	16,854	8,808	25,662
Amortised over	5 years	0-15 years	

Development costs

Development costs concern the development of the Company's ERP system AX.

The system is undergoing constant development to meet the increasing demand for data transparency from users, Management and owners and is already contributing to optimizing administrative routines, enhancement of data and cost savings. The system is already now considered an essential management tool in the organization. The development costs are amortised over 5 years, which in Management's view is the minimum lifetime of the system.

Consolidated financial statements and parent company financial statements 1 January - 31 December

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12 Property, plant and equipment

	Group						
DKK'000	Land and buildings	Other fixtures and equip-ment	Leasehold improve-ments	Facility housing	Fibre/ ducts	Spare parts	Tangible assets under construc-tion
Cost at 1 January 2017	35,273	541,888	12,198	308,207	1,690,679	31,314	50,977
Adjustment	3	-12,715	0	32	-25,387	0	7
Additions	643	2,114	0	38,572	23,321	1,795	269,798
Transferred from tangible assets under construction	0	46,708	0	14,925	55,868	0	-125,612
Disposals	0	-22	0	0	-34,517	0	0
Cost at 31 December 2017	35,919	577,973	12,198	361,736	1,709,964	33,109	195,170
Revaluation at 1 January 2017	0	0	0	0	17,088	0	0
Revaluation of the year	0	0	0	0	-701	0	0
Revaluation at 31 December 2017	0	0	0	0	16,387	0	0
Depreciation and impairment losses at 1 January 2017	8,845	297,941	7,473	191,175	514,008	0	0
Adjustment	2	-7,575	81	-33	-12,790	0	0
Depreciation	1,463	52,979	864	13,412	47,392	0	0
Depreciations regarding disposal	0	-17	0	0	-4,002	0	0
Depreciation and impairment losses at 31 December 2017	10,310	343,328	8,418	204,554	544,608	0	0
Carrying amount at 31 December 2017	25,609	234,645	3,780	157,181	1,181,744	33,109	195,170
Items of property, plant and equipment include assets held under finance leases with a carrying amount totalling	0	63,310	0	48,281	8,952	0	0
Depreciated over	20 years	3-10 years	10 years	10-15 years	20-40 years	0 years	0 years

Consolidated financial statements and parent company financial statements 1 January - 31 December

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12 Property, plant and equipment (continued)

	Parent						
DKK'000	Land and buildings	Other fixtures and equip-ment	Leasehold improve-ments	Facility housing	Fibre/ ducts	Spare parts	Tangible assets under construc-tion
Cost at 1 January 2017	32,916	416,173	6,430	284,735	1,379,246	29,360	17,653
Additions	135	0	0	2,806	23,321	596	162,492
Transferred from tangible assets under construction	0	32,729	0	14,081	55,871	0	-110,789
Disposals	0	-22	0	0	-7,728	0	0
Cost at 31 December 2017	33,051	448,880	6,430	301,622	1,450,710	29,956	69,356
Revaluation at 1 January 2017	0	0	0	0	17,088	0	0
Revaluation of the year	0	0	0	0	-701	0	0
Revaluation at 31 December 2017	0	0	0	0	16,387	0	0
Depreciation and impairment losses at 1 January 2017	8,845	229,074	4,642	170,329	483,317	0	0
Depreciation	1,465	38,084	361	12,541	38,134	0	0
Depreciation regarding disposal	0	-17	0	0	-2,504	0	0
Depreciation and impairment losses at 31 December 2017	10,310	267,141	5,003	182,870	518,947	0	0
Carrying amount at 31 December 2017	22,741	181,739	1,427	118,752	948,150	29,956	69,356
Items of property, plant and equipment include assets held under finance leases with a carrying amount totalling	0	37,018	0	48,281	8,952	0	0
Depreciated over	20 years	3-10 years	10 years	10-15 years	20-40 years	0 years	0 years

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DKK'000	Parent 2017	Parent 2016
13 Investments in subsidiaries		
Cost at 1 January	308,626	296,450
Additions	-146	12,336
Disposals	-186	-160
Cost at 31 December	308,294	308,626
Value adjustments at 1 January	21,050	16,019
Foreign exchange adjustment	390	-2,186
Revaluation and write-down for the year	30,500	11,767
Revaluation disposals	-110,404	0
Amortisation of goodwill	-6,479	-4,550
Value adjustments at 31 December	-64,943	21,050
Carrying amount at 31 December	243,351	329,676
Goodwill	19,521	26,000

Name and registered office	Voting rights and ownership	Profit/loss DKK'000	Equity DKK'000
GlobalConnect Netz GmbH, Hamburg	100%	25,946	281,626
GlobalConnect Outsourcing Services A/S, Taastrup	100%	-9,166	-9,169
GlobalConnect Ejendomsselskab ApS, Taastrup	100%	0	50
GigaContent A/S, Taastrup	100%	-2,905	13,689
SuperTel A/S, Taastrup	100%	7,650	21,334

14 Deposits

DKK'000	Group	Parent
Cost at 1 January 2017	5,307	4,013
Additions	228	223
Disposals	-354	-99
Cost at 31 December 2017	5,181	4,137
Carrying amount at 31 December 2017	5,181	4,137

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15 Receivables regarding financial lease

	Group		Parent	
DKK'000	2017	2016	2017	2016
Gross receivable from financial leases				
Amounts due within 1 year	10,607	10,616	6,263	6,263
Amounts due between 1 and 5 years	17,377	23,675	0	6,262
Amounts due after 5 years	24,441	27,383	0	0
	52,425	61,674	6,263	12,525
Future interest payment, not earned	-9,146	-13,066	-2,000	-4,194
	43,279	48,455	4,263	8,331
Net investment regarding financial leases				
Amounts due within 1 year	7,459	7,181	4,263	4,068
Amounts due between 1 and 5 years	13,771	17,683	0	4,263
Amounts due after 5 years	20,063	23,591	0	0
	41,293	48,455	4,263	8,331
Net present value of non-guaranteed scrap values	22,107	20,346	21,086	20,193
	63,400	68,801	25,349	28,524
Accumulated write-down reservations for bad debts on receivable minimum lease				
Provision at 1 January	-4,442	-4,447	-213	-417
Provision of the year	746	5	213	204
Provision at 31 December	-3,696	-4,442	0	-213
Receivable regarding financial leases	59,704	64,359	25,349	28,311

16 Share capital

The share capital comprises:

2,325,492 class A shares (2016: 2,542,280) in the denomination of DKK 1 each.

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DKK'000	Group 2017	Group 2016	Parent 2017	Parent 2016
17 Deferred tax				
Deferred tax at 1 January	148,804	158,159	155,905	167,436
Adjustment of the deferred tax charge for the year	20,619	-5,303	8,251	-7,479
Tax on equity transactions	0	-4,052	0	-4,052
Deferred tax at 31 December	169,423	148,804	164,156	155,905
The deferred tax charge relates to				
Intangible assets	3,152	2,267	3,912	3,010
Property, plant and equipment	96,326	99,086	112,313	109,690
Financial fixed assets	71,957	54,087	48,787	46,140
Current assets	1,508	840	0	0
Provisions	-371	-432	-371	-432
Current liabilities	-187	-2,503	-187	-2,503
Tax losses to be carried forward	-2,962	-4,541	-298	0
Deferred tax at 31 December	169,423	148,804	164,156	155,905

18 Other provisions for liabilities

Other provisions for liabilities consist of provision for guarantees given in contracts concerning indefeasible rights to use, entered into before 2005.

19 Other non-current liabilities

	Group				
DKK'000	01-01-2017 Total debt	31-12-2017 Total debt	Mature within 0-1 year	Mature within 2-5 years	Mature after 5 years
Debts to banks	128,593	1,154,722	61,044	245,296	848,382
Bonds	684,800	0	0	0	0
Derivative financial instruments	13,096	0	0	0	0
Prepayments received	94,169	64,628	21,196	31,573	11,859
Other long-term debt	85,099	70,985	25,578	45,312	95
Debt to affiliated companies	0	63,235	63,235	0	0
Total debt	1,005,757	1,353,570	171,053	322,181	860,336

	Parent				
DKK'000	01-01-2017 Total debt	31-12-2017 Total debt	Mature within 0-1 year	Mature within 2-5 years	Mature after 5 years
Debts to banks	128,593	1,154,722	61,044	245,297	848,381
Bonds	684,800	0	0	0	0
Derivative financial instruments	13,096	0	0	0	0
Prepayments received	81,959	65,755	19,951	31,749	14,055
Other long-term debt	54,994	44,649	16,288	28,265	96
Debt to affiliated companies	0	63,235	63,235	0	0
Total debt	963,442	1,328,361	160,518	305,311	862,532

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20 Accruals and deferred income

This amount consists primarily of payments received from customers, which cannot be recognised as revenue until subsequent financial years.

21 Contractual obligations and contingencies, etc.

	Group		Parent	
DKK'000	2017	2016	2017	2016
Lease commitments	15,723	15,831	12,656	11,780
Rental commitments	138,496	116,808	101,267	94,806
Guarantees to third party	7,707	46,981	7,707	3,793
Owners mortgage debt in tangible assets	0	367,000	0	367,000
Guarantee of payment	0	20,358	0	20,358
Floating charge	0	105,000	0	100,000
	161,926	671,978	121,630	597,737

GlobalConnect has entered into an agreement to acquire Nianet A/S. The transaction is subject to approval from relevant authorities.

Contingent liabilities

The Group is party to a few pending legal actions. In Management's opinion, the outcome of these legal actions will not affect the Group's financial position apart from the receivables and payables recognised in the balance sheet at 31 December 2017.

The Parent Company has issued a letter of support to the subsidiary GlobalConnect Outsourcing Services A/S. The Parent Company declares through any necessary supplements to guarantee the Company's obligations, thereby ensuring the Company's continued operation for minimum end of 2018.

The Parent Company is jointly taxed with its Danish subsidiaries with Skynet Invest Holding A/S as Management Company, and has joint and several unlimited liability, together with the subsidiaries, for all Danish income taxes and withholding taxes on dividend, interest and royalties within the group of jointly taxed entities. Any subsequent corrections of income subject to joint taxation and withholding taxes, etc. could entail an increase in the entities' tax liability. The Group as a whole is not liable vis-à-vis any third parties.

22 Mortgages and collateral

	Group		Parent	
DKK'000	2017	2016	2017	2016
The following assets have been placed as security for the Group's bank debt:				
Fibre/ducts	948,150	895,929	948,150	895,929
Land and buildings	22,741	24,071	22,741	24,071
Facility housing	0	114,402	0	114,402
Trade receivables	0	177,032	0	168,853
Inventories	0	29,359	0	29,359
Leasehold improvements	0	1,433	0	0
Deposits	0	617	0	0
	970,891	1,242,843	970,891	1,232,614
Mortgage deeds registered to the mortgagor	1,483,000	476,871	1,483,000	476,871

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23 Related parties

GlobalConnect A/S' related parties comprise the following:

Parties exercising control

Skynet Invest Holding A/S, Hørskætten 3, 2630 Taastrup is the principal shareholder.

Other related parties having performed transactions with the Company

The Company's related parties having a significant influence comprise subsidiaries and associates as well as the companies' Boards of Directors, Board of Executives and executive officers and their relatives. Related parties include also companies in which the above-mentioned group of persons has material interests.

Related party transactions

The Company did not carry out any substantial transactions that were not concluded on market conditions.

24 Consolidated financial statements

GlobalConnect A/S is included in the consolidated financial statements of Skynet Invest Holding A/S, Hørskætten 3, 2630 Taastrup.

	Group	
DKK'000	2017	2016
25 Changes in working capital		
Change in receivables	-28,084	-48,516
Change in trade and other payables	113,920	17,196
Change in intercompany balances	16,007	21,951
Change in prepayments	-29,542	-28,815
	72,301	-38,184