GlobalConnect A/S

Hørskætten 3, 2630 Taastrup

CVR no. 26 75 97 22

Annual report 2018

Approved at the Company's annual general meeting on ~~31 May~~ 6 June 2019

Chairman:

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Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

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 2018.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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

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

Taastrup, 23 May 2019
Executive Board:

Martin Lippert
CEO

Board of Directors:

Per Morten Torvildsen Chairman	Jannie Laurberg Sørensen	Jacob Kjær

Independent auditor's report

To the shareholders of GlobalConnect A/S

Opinion

We have audited the financial statements of GlobalConnect A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance 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 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 the 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.

Independent auditor's report

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

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

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.

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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 23 May 2019
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Thomas Bruun Kofoed
State Authorised Public Accountant
mne28677

Thomas Legarth
State Authorised Public Accountant
mne44099

Management's review

Company details

Name	GlobalConnect A/S
Address, Postal code, City	Hørskætten 3, 2630 Taastrup
CVR no.	26 75 97 22
Established	20 August 2002
Registered office	Høje Taastrup
Financial year	1 January - 31 December
Website	www.globalconnect.dk
E-mail	info@globalconnect.dk
Telephone	+45 77 30 30 00
Board of Directors	Per Morten Torvildsen, Chairman Jannie Laurberg Sørensen Jacob Kjær
Executive Board	Martin Lippert, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

DKKm	2018	2017	2016	2015	2014
Key figures					
Revenue	624	585	512	481	432
Gross margin	327	270	284	277	270
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	162	161	187	175	178
Operating profit/loss	32	63	89	82	61
Net financials	-81	-94	-45	-45	-37
Profit/loss before tax	-39	-31	49	42	28
Profit/loss for the year	-44	-43	41	35	24
Non-current assets	3,586	1,736	1,640	1,622	1,562
Current assets	437	721	519	330	363
Total assets	4,023	2,457	2,159	1,952	1,925
Equity	1,283	395	619	591	567
Non-current liabilities	2,138	1,334	957	981	775
Current liabilities	601	728	583	380	583
Financial ratios					
Operating margin	5.1%	10.8%	17.4%	17.0 %	14.1 %
Gross margin	52.4%	46.2%	55.5%	57.6%	62.5%
EBITDA-margin	26.0%	27.5%	36.5%	36.4%	41.2%
Return on assets	1.0%	2.7%	4.3%	4.2%	3.3%
Current ratio	72.7%	99.0%	89.0%	86.8%	62.3%
Equity ratio	31.9%	16.1%	28.7%	30.3%	29.5%
Return on equity	-5.2%	-8.5%	6.8%	6.0%	4.2%
Average number of employees	262	184	255	260	265

The financial ratios stated in the survey of financial highlights have been calculated as follows:

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

Gross margin ratio $$\frac{\text{Gross margin x 100}}{\text{Revenue}}$$

EBITDA-margin $$\frac{\text{Earnings before interest, taxes and amortisations (EBITA) x 100}}{\text{Revenue}}$$

Return on assets $$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$$

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

Equity ratio $$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$$

Return on equity $$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$$

Financial figures for 2017 have been adjusted as a result of correction of material misstatements and changes in accounting policies, cf. note 1. The financial figures for the years 2014-2016 have not been amended.

Management's review

Business review

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.

Unusual matters having affected the financial statements

In 2016 GlobalConnect sold a stretch from Rostock to Hamburg and reported an income of EUR 3,8m. The agreement and transaction is material and of such a structure that management considers it to be wrongly recognized revenue in 2016 hence a correction of EUR 3,8m (corresponding to DKK 28,3m) to previous years equity has been made.

The issue is also described in note 1 to the financial statements.

Financial review

In 2018, the Company's revenue amounted to DKK 624,293 thousand against DKK 584,530 thousand last year. The income statement for 2018 shows a loss of DKK 43,919 thousand against a loss of DKK 43,263 thousand last year, and the balance sheet at 31 December 2018 shows equity of DKK 1,283,434 thousand.

In the annual report for 2017, Management expected the Company's growth to continue during 2018. GlobalConnect's 2018 financial performance was in line with expectations and both the Board and Management consider it satisfactory.

No ordinary dividend was proposed for 2018.

Special risks

The price level of GlobalConnect's 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.

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

Management's review

Research and development activities

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.

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.

Statutory CSR report

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 was during 2018 one of the leading companies advocating for change of the legislation, 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.

The company has assessed climate impact through CO_2 emissions as the most significant negative risk on the society. The company has not identified any significant risks within the areas of human rights, social and labor conditions, the environment and anticorruption, and has therefore not developed any policies within these areas.

Management's review

Account of the gender composition of Management

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. The number of employees was 262 at 31 December 2018. 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 23% women and 77% men. Status of the gender distribution of the Board of Directors in GlobalConnect is 33% women out of a total of three Board members. According to the guidelines issued by the Danish Business Authorities, 1 woman and 3 men constitute an equal gender distribution. 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. In order to increase the number of women in top management, we always aim for one of the candidates in the recruitment process to be female.

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. 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 GlobalConnect A/S.

Events after the balance sheet date

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.

Outlook

GlobalConnect expects the Company's growth to continue during 2019 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 2018.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2018	2017
3	Revenue	624,293	584,530
	Production costs	-244,649	-268,228
	Other external expenses	-52,437	-46,467
	Gross margin	327,207	269,835
4	Staff costs	-164,737	-108,523
5	Amortisation/depreciation of intangible assets and property, plant and equipment	-130,529	-97,999
	Profit before net financials	31,941	63,313
	Income from investments in group enterprises	10,000	0
6	Financial income	15,973	9,402
7	Financial expenses	-96,614	-103,735
	Profit/loss before tax	-38,700	-31,020
8	Tax for the year	-5,219	-12,243
	Profit/loss for the year	-43,919	-43,263

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Non-current assets		
9	Intangible assets		
	Development costs	24,561	16,854
	Acquired intangible assets	5,873	8,808
		30,434	25,662
10	Property, plant and equipment		
	Land and buildings	53,471	22,741
	Facility Housing	155,074	118,752
	Spare parts	39,288	29,956
	Fibre/ducts	1,041,734	948,150
	Other fixtures and equipment	298,564	181,739
	Leasehold improvements	2,478	1,427
	Property, plant and equipment under construction	33,660	69,356
		1,624,269	1,372,121
11	Financial assets		
	Investments in subsidiaries	1,636,621	308,294
	Receivables from group enterprises	266,760	0
	Receivable regarding financial leases	22,801	25,349
	Deposits	4,831	4,137
		1,931,013	337,780
	Total non-current assets	3,585,716	1,735,563
	Current assets		
	Receivables		
	Trade receivables	208,936	187,206
	Receivables from group enterprises	196,935	507,467
	Other receivables	2,501	10,597
12	Prepayments	28,286	15,882
		436,658	721,152
	Cash	0	134
	Total current assets	436,658	721,286
	TOTAL ASSETS	4,022,374	2,456,849

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
13	Share capital	2,325	2,325
	Revaluation reserve	12,234	12,781
	Reserve for development costs	16,354	7,778
	Retained earnings	1,252,521	372,338
	Total equity	1,283,434	395,222
14	Non-current liabilities		
15	Deferred tax	164,039	164,156
16	Other provisions for liabilities	3,367	1,687
	Mortgage debt	0	1,093,678
	Lease liabilities	27,755	28,266
	Prepayments received	51,524	45,804
	Payables to group entities	1,888,278	0
	Other long-term liabilities	2,595	95
	Total non-current liabilities	2,137,558	1,333,686
	Current liabilities		
16	Other provisions for liabilities	17,984	0
	Mortgage debt	0	61,044
	Debt to financial institutions	36,791	26,020
	Lease liabilities	22,505	16,288
	Prepayments received	25,377	19,951
	Trade payables	99,059	73,262
	Payables to group enterprises	206,617	317,534
	Joint taxation contribution payable	3,397	0
	Other liabilities	53,390	74,593
17	Accruals and deferred income	136,262	139,249
	Total current liabilities	601,382	727,941
	Total liabilities	2,738,940	2,061,627
	TOTAL EQUITY AND LIABILITIES	4,022,374	2,456,849

1 Accounting policies
2 Events after the balance sheet date
18 Contractual obligations and contingencies, etc.
19 Related parties
20 Fee to the auditors appointed by the Company in general meeting

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Revaluation reserve	Net revaluation reserve according to the equity method	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2017	2,542	13,328	21,048	2,334	579,602	618,854
	Adjustment of equity through corrections of errors	0	0	0	0	-28,286	-28,286
	Adjustment of equity through changes in accounting policies	0	0	-21,048	0	110,403	89,355
	Adjusted equity at 1 January 2017	2,542	13,328	0	2,334	661,719	679,923
	Reduction of share capital	-217	0	0	0	217	0
21	Transfer, see "Appropriation of profit/loss"	0	0	0	5,444	-48,707	-43,263
	Dissolution of previous years' revaluations	0	-547	0	0	547	0
	Purchase of minority interests	0	0	0	0	-40,463	-40,463
	Dividend distributed	0	0	0	0	-200,975	-200,975
	Equity at 1 January 2018	2,325	12,781	0	7,778	372,338	395,222
	Additions on merger/corporate acquisition	0	0	0	0	-62,112	-62,112
	Debt conversion	0	0	0	0	99,424	99,424
21	Transfer, see "Appropriation of profit/loss"	0	0	0	8,576	-52,495	-43,919
	Dissolution of previous years' revaluations	0	-547	0	0	547	0
	Tax exempt equity contribution	0	0	0	0	894,819	894,819
	Equity at 31 December 2018	2,325	12,234	0	16,354	1,252,521	1,283,434

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of GlobalConnect A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

Changes in accounting policies

Investments in subsidiaries are measured according to the cost method. In accordance with the cost method, dividends received from subsidiaries are recognised in the income statement. Previously, investments in subsidiaries were measured according to the equity method and a proportionate share of the underlying entities' profit/loss after tax was recognised in the income statement. The loss before tax as well as loss for the year are negatively affected by the change in accounting policies in the amount of DKK 14,246 thousand (2017: DKK 24,021 thousand). Equity at 31 December 2018 is affected positively in the amount of DKK 50,698 thousand (31 December 2017: DKK 64,944 thousand).

The accounting policies have been amended to adopt the policies at the Broadnet Holding Group.

The accounting policies used in the preparation of the financial statements are otherwise consistent with those of last year. Comparative figures for 2017 have been restated to reflect the changes in accounting policies.

Material misstatements

During the year, it was established that revenue and trade receivables in the financial statements for 2016 as well as trade receivables and other debt in the financial statements for 2017 were partly recognised based on an incorrect basis. This impacted the Company's previous annual reports.
As a result hereof, the errors have been corrected as a material misstatement by restating comparative figures and opening equity figures in the current year's financial statements.
For 2016, revenue was overstated by DKK 28,286 thousand and trade receivables at 31 December 2016 by DKK 28,286 thousand. For 2017, trade receivables were overstated by DKK 20,852 thousand and other debt was understated by DKK 7,434 thousand. In total, the balance sheet at 31 December 2017 had been adversely affected by DKK 28,286 thousand, and equity has been adversely affected by 28,286 thousand. Results for the year were not affected

Change in the Company's activities, including effect of intra-group business combinations

In 2018, the Company merged with three wholly-owned subsidiaries, GlobalConnect Outsourcing Services A/S, GigaContent A/S and GlobalConnect Ejendomsselskab ApS (intra-group business combination) with GlobalConnect A/S as the continuing company. The merger has been accounted for in accordance with the book value method, which does not require restatement of comparative figures.

The mergers have affected equity negatively by DKK 62,112 thousand corresponding to net assets of the three subsidiaries less net book value of the investments.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Broadnet Group Holding AS.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, contributions of assets and share conversions, etc. in which entities controlled by the parent company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquiree are recognised directly in equity.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and 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 the exchange rate at the balance sheet date. 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

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

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Income statement

Revenue

The Company has chosen IAS 18 as interpretation for revenue recognition.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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.

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

Where finance leases are entered into regarding assets, a sale and a receivable are recognised corresponding to the present value of cash flows from the lease plus the estimated, unguaranteed residual value of the asset at the end of the lease term. The present value is calculated based on the interest implicit in the lease agreement. Lease payments received are recognised partly as instalments on the lease receivable and partly as financial income.

Cost of sales

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 external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include rights and licences.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Development costs	5 years
Rights and licenses	3 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

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.

Buildings	20 years
Facility Housing	10-15 years

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Fibre/ducts	20-40 years
Other fixtures and equipment	3-10 years
Leasehold improvements	10 years

The residual value is 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 residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Land is not depreciated.

Profit from investments in subsidiaries

The item includes dividends from investments in subsidiaries and associates. Dividend distributions that either exceed the profit for the year or where the carrying amount of the investments exceeds the consolidated carrying amounts of the subsidiary's net assets will indicate impairment for which reason an impairment test will have to be conducted.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

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

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Notes to the financial statements

1 Accounting policies (continued)

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities areidentifiable 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. Licenses are amortised over the term of the licence, however not exceeding 15 years.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Investments in subsidiaries

Investments in subsidiaries and associates are measured at cost, which includes the cost of acquisition calculated at fair value plus direct costs of acquisition. If there is evidence of impairment, an impairment test is conducted. Where the carrying amount exceeds the recoverable amount, a write-down is made to such lower value.

Gains or losses on disposal of subsidiaries and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal including non-amortised goodwill and anticipated costs of disposal. Gains or losses are recognised in the income statement as financial income or financial expenses.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (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 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.

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Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Revaluation reserve

The reserve comprises revaluations of property, plant and equipment/investments in subsidiaries and associates relative to cost net of deferred tax.

The revaluation reserve is reduced by the depreciation charges relating to the revaluation.

Reserve for development costs

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

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income tax and deferred tax

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

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Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the 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 and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or 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 is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

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. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

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Notes to the financial statements

2 Events after the balance sheet date

There have been no subsequent events of significance to the annual report 2018 after the end of the financial year at 31 December 2018.

DKK'000	2018	2017
3 Segment information		
Breakdown of revenue by business segment:		
Fibre - use and maintenance, transmission	274,865	312,314
Lending out of premises and tele houses incl. power	114,435	107,430
Sale of ducts and fibre systems (IRU)	39,937	65,149
Cloud	118,550	0
Other revenue	76,506	99,637
	624,293	584,530
Breakdown of revenue by geographical segment:		
Domestic	489,171	432,370
Abroad	135,122	152,160
	624,293	584,530
4 Staff costs		
Wages/salaries	173,453	123,630
Pensions	15,564	11,368
Other social security costs	1,765	1,084
Other staff costs	6,685	4,614
Capitalised wages and salaries related to development projects and property, plant and equipment	-32,730	-32,173
	164,737	108,523
Average number of full-time employees	262	184
Remuneration to members of Management:		
Executive Board	10,212	18,653
Board of Directors	698	957
	10,910	19,610

Remuneration to the Executive Board and Board of Directors includes severance payments to former members.

	2018	2017
5 Amortisation/depreciation of intangible assets and property, plant and equipment		
Amortisation of intangible assets	9,470	6,715
Depreciation of property, plant and equipment	121,059	91,284
	130,529	97,999

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Notes to the financial statements

DKK'000	2018	2017
6 Financial income		
Interest income, group entities	14,336	6,054
Other interest income	1,637	2,578
Exchange gains	0	770
	15,973	9,402
7 Financial expenses		
Interest expenses, group entities	16,799	12,477
Other interest expenses	78,228	91,258
Exchange losses	1,797	0
Other financial expenses	-210	0
	96,614	103,735

The Company initiated an early redemption of issued mortgages and loan facilities resulting in a one-off expense of DKK 42,364 thousand recognised in other interest expenses in 2018.

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.

DKK'000	2018	2017
8 Tax for the year		
Estimated tax charge for the year	3,397	2,643
Deferred tax adjustments in the year	892	8,251
Tax adjustments, prior years	930	1,349
	5,219	12,243

9 Intangible assets

DKK'000	Development costs	Acquired intangible assets	Total
Cost at 1 January 2018	27,000	21,258	48,258
Additions through mergers and business combinations	0	4,280	4,280
Additions	12,332	486	12,818
Cost at 31 December 2018	39,332	26,024	65,356
Impairment losses and amortisation at 1 January 2018	10,146	12,450	22,596
Impairment losses and amortisation of additions through mergers and business combinations	0	2,856	2,856
Amortisation for the year	4,625	4,845	9,470
Impairment losses and amortisation at 31 December 2018	14,771	20,151	34,922
Carrying amount at 31 December 2018	24,561	5,873	30,434

Completed development projects

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

Financial statements 1 January - 31 December

Notes to the financial statements

9 Intangible assets (continued)

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

10 Property, plant and equipment

DKK'000	Land and buildings	Facility Housing	Spare parts	Fibre/ducts	Other fixtures and equipment	Leasehold improvements	Property, plant and equipment under construction	Total
Cost at 1 January 2018	33,051	301,622	29,956	1,450,710	448,880	6,430	69,356	2,340,005
Adjustments to cost	0	0	0	0	-852	-50	0	-902
Additions on merger/corporate acquisition	0	0	3,152	0	107,998	3,035	10,321	124,506
Additions	32,245	3,094	6,180	22,212	962	507	248,801	314,001
Disposals	0	0	0	-6,071	-48	0	0	-6,119
Transferred	0	48,873	0	117,470	128,475	0	-294,818	0
Cost at 31 December 2018	65,296	353,589	39,288	1,584,321	685,415	9,922	33,660	2,771,491
Revaluations at 1 January 2018	0	0	0	16,387	0	0	0	16,387
Value adjustments for the year	0	0	0	-701	0	0	0	-701
Revaluations at 31 December 2018	0	0	0	15,686	0	0	0	15,686
Impairment losses and depreciation at 1 January 2018	10,310	182,870	0	518,947	267,141	5,003	0	984,271
Accumulated impairment losses and depreciation of additions through mergers and business combinations	0	0	0	0	58,106	1,915	0	60,021
Depreciation	1,515	15,645	0	41,752	61,621	526	0	121,059
Reversal of accumulated depreciation and impairment of assets disposed	0	0	0	-2,426	-17	0	0	-2,443
Impairment losses and depreciation at 31 December 2018	11,825	198,515	0	558,273	386,851	7,444	0	1,162,908
Carrying amount at 31 December 2018	53,471	155,074	39,288	1,041,734	298,564	2,478	33,660	1,624,269
Carrying amount at 31 December 2018, if no revaluation had been made	53,471	155,074	39,288	1,026,048	298,563	2,478	33,661	
Property, plant and equipment include finance leases with a carrying amount totalling	0	22,259	0	0	45,319	0	0	67,578

11 Investments

DKK'000	Investments in subsidiaries	Receivables from group enterprises	Receivable regarding financial leases	Deposits	Total
Cost at 1 January 2018	308,294	0	25,349	4,137	337,780
Disposals on merger/corporate acquisition	-66,683	0	0	364	-66,319
Additions	1,395,010	266,760	2,885	462	1,665,117
Disposals	0	0	-5,433	-132	-5,565
Cost at 31 December 2018	1,636,621	266,760	22,801	4,831	1,931,013
Carrying amount at 31 December 2018	1,636,621	266,760	22,801	4,831	1,931,013

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11 Investments (continued)

Name	Legal form	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries					
Nianet	A/S	Taastrup	100.00%	272,862	-52,791
SuperTel	A/S	Taastrup	100.00%	16,996	5,662
GlobalConnect Netz*	GmbH	Hamburg	100.00%	282,473	-2,408

*Based on unaudited financial statements as at 31 December 2018.

12 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

DKK'000	2018	2017
13 Share capital		
Analysis of the share capital:		
2,325,493 A shares of DKK 1.00 nominal value each	2,325	2,325
	2,325	2,325

14 Non-current liabilities

DKK'000	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Deferred tax	164,040	0	164,040	0
Other provisions for liabilities	21,351	17,984	3,367	0
Lease liabilities	50,260	22,505	27,755	0
Prepayments received	76,901	25,377	51,524	13,588
Payables to group entities	1,888,278	0	1,888,278	0
Other long-term liabilities	2,595	0	2,595	95
	2,203,425	65,866	2,137,559	13,683

DKK'000	2018	2017
15 Deferred tax		
Deferred tax at 1 January	164,156	155,905
Adjustment of the deferred tax charge for the year	-116	8,251
Deferred tax at 31 December	164,040	164,156

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Notes to the financial statements

15 Deferred tax (continued)

Deferred tax relates to:

Intangible assets	5,621	3,912
Property, plant and equipment	118,641	112,313
Financial assets	44,475	48,787
Liabilities	-4,697	-558
Tax loss	0	-298
	164,040	164,156

16 Other provisions

Other provisions for liabilities mainly relate to provision for guarentees in contracts concerning indefeasible rights to use, entered into before 2005, and to onerous contracts for leased premises. The expected costs and timing are by nature uncertain. No provisions are discounted as the impact is considered insignificant.

17 Accruals and deferred income

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

18 Contractual obligations and contingencies, etc.

Other contingent liabilities

DKK'000	2018	2017
Lease commitments	12,309	12,656
Rental commitments	101,029	101,267
Guarentees to third parties	9,447	7,707
	122,785	121,630

The Company is jointly taxed with its parent, Skynet Invest Holding A/S, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2018 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment.

The Company is party to a few pending legal actions. In Management's opinion, the outcome of these legal actions will not affect the Company's financial position apart from the receivables and payables recognised in the balance sheet at 31 December 2018.

19 Related parties

GlobalConnect A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Skynet Invest Holding A/S	Taastrup, Denmark	Principal shareholder

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Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Broadnet Group Holding AS	Oslo, Norway	Tjuvholmen allé 1, 0252 Oslo, Norway

Related party transactions

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.

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

Skynet Invest Holding A/S have declared not to recall the intra-group balance of DKK 199 million until GlobalConnect A/S has the liquidity to do so and, if necessary, provide additional liquidity in order for GlobalConnect A/S to meet its financial obligations and thereby ensuring GlobalConnect A/S' continued operation up to and including 30 May 2020.

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Skynet Invest Holding A/S	Taastrup, Denmark

20 Fee to the auditors appointed by the Company in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements of Broadnet Group Holding AS.

	DKK'000	2018	2017
21	Appropriation of profit/loss		
	Recommended appropriation of profit/loss		
	Reserve for development costs	8,576	5,444
	Retained earnings/accumulated loss	-52,495	-48,707
		-43,919	-43,263