

GlobalConnect A/S

Havneholmen 6, st., 2450 København SV

CVR no. 26 75 97 22

Annual report 2020

Approved at the Company's annual general meeting on 31 May 2021

Chair of the meeting:

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Rasmus Reichhardt Svendsen



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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 2020.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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.

Copenhagen, 27 May 2021
Executive Board:

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Louise Hahn
CEO

Board of Directors:

.....
Hans Henrik Schibler
Chair

.....
Louise Hahn

.....
Jannie Laurberg Sørensen

.....
Cecilie Sell Sternkopf

.....
Rikke Skovsager Sångren
Servais

Independent auditor's report

To the shareholder of GlobalConnect A/S

Opinion

We have audited the financial statements of GlobalConnect A/S for the financial year 1 January - 31 December 2020, 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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, 27 May 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Thomas Bruun Kofoed
State Authorised Public Accountant
mne28677

Management's review

Company details

Name	GlobalConnect A/S
Address, Postal code, City	Havneholmen 6, st., 2450 København SV
CVR no.	26 75 97 22
Established	20 August 2002
Registered office	København
Financial year	1 January - 31 December
Website	www.globalconnect.dk
E-mail	info@globalconnect.dk
Telephone	+45 77 30 30 00
Board of Directors	Hans Henrik Schibler, Chairman Louise Hahn Jannie Laurberg Sørensen Cecilie Sell Sternkopf Rikke Skovsager Sångren Servais
Executive Board	Louise Hahn, CEO
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

DKKkm	2020	2019	2018	2017	2016
Key figures					
Revenue	727	692	624	585	512
Gross profit	411	379	320	270	284
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	215	212	162	161	187
Operating profit/loss	-26	34	32	63	89
Net financials	-73	-67	-81	-94	-45
Profit/loss before tax	-64	-33	-39	-31	49
Profit/loss for the year	-56	-33	-44	-43	41
Non-current assets	4,319	4,072	3,740	1,736	1,640
Current assets	619	617	304	721	519
Total assets	4,938	4,689	4,044	2,457	2,159
Equity	1,025	1,070	1,283	395	619
Non-current liabilities	3,313	2,732	2,138	1,334	957
Current liabilities	600	887	623	728	583
Financial ratios					
Operating margin	1.3%	4.9%	5.1%	10.9 %	17.4 %
Gross margin	56.5%	54.8%	51.3%	46.2%	55.5%
EBITDA-margin	29.6%	30.6%	26.0%	27.5%	36.5%
Return on assets	-0.5%	0.8%	1.0%	2.7%	4.3%
Current ratio	103.2%	69.6%	48.8%	99.0%	89.0%
Equity ratio	20.8%	22.8%	31.7%	16.1%	28.7%
Return on equity	-5.3%	-2.8%	-5.2%	-8.5%	6.8%
Average number of employees	465	387	262	184	255

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

Ordinary operating profit/loss	$\frac{\text{Profit/loss before financial items adjusted for other operating income and other operating expenses}}{\text{Revenue}} \times 100$
Operating margin	$\frac{\text{Operating profit/loss (EBIT)}}{\text{Revenue}} \times 100$
Gross margin	$\frac{\text{Gross profit/loss}}{\text{Revenue}} \times 100$
EBITDA-margin	$\frac{\text{Earnings before interest, taxes and amortisations (EBITDA)}}{\text{Revenue}} \times 100$
Return on assets	$\frac{\text{Profit/loss from operating activities}}{\text{Average assets}} \times 100$
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}} \times 100$
Equity ratio	$\frac{\text{Equity, year-end}}{\text{Total equity and liabilities, year-end}} \times 100$
Return on equity	$\frac{\text{Profit/loss after tax}}{\text{Average equity}} \times 100$

The key figures for the years 2016-2018 have not been amended to the implementation of IFRS 15 and IFRS 16 as at 1 January 2019.

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 74,500 km of high-speed optical fibre network and more than 27,000 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.

Financial review

The income statement for 2020 shows a loss of DKK 56,403 thousand against a loss of DKK 33,106 thousand last year, and the balance sheet at 31 December 2020 shows equity of DKK 1,024,542 thousand.

In the annual report for 2019, Management expected the Company's growth to continue during 2020. GlobalConnect's 2020 financial performance was in line with expectations and both the Board and Management considers it satisfactory.

No ordinary dividend is proposed for 2020.

Financial risks and use of financial instruments

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.

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.

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

The statutory CSR report is published on the Company's website:

<https://www.globalconnect.net/wp-content/uploads/2021/04/GlobalConnect-CSR-Report-2020.pdf>

Management's review

Account of the gender composition of Management

GlobalConnect aims to be a workplace with equal opportunities and has included in its policies regulations to prevent discrimination regarding salary, promotion and recruiting. A key management target is for GlobalConnect to be a "preferred place to work". Key elements in this effort is management focus, leadership, employee-involvement, employee satisfaction, motivation and to develop employee competence.

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.

All Danish employees are employed at the parent company GlobalConnect A/S. The number of employees was 465 at 31 December 2020. 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 on GlobalConnect's top management is 20% women and 80% men. Status of the gender distribution of the Board of Directors in GlobalConnect is 80% women out of a total of five 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 the top 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.

Events after the balance sheet date

In general, the company has achieved results that are in line with expectations in 2020. The COVID-19 outbreak has affected and will affect the company's results and financial position in 2020 and 2021 respectively. However, it is not possible for the company's management at the time of financial reporting to quantify the effect, as it will depend on the duration and extent of the virus outbreak.

No events have occurred after the balance sheet date which could significantly affect the assessment of the Company's financial position.

It is expected that the Company will merge with its subsidiary GlobalConnect NN A/S in 2021.

Outlook

Going forward management focus includes growth, further develop market-positions and realize identified synergies across country-/company-/services within the Group.

The development of the Covid-19 virus has a significant impact on our society. As a result of the implemented measures to contain the spread of the virus, the importance of our services is higher than ever before, However, it is not possible for the company's management at the time of financial reporting to quantify the effect, as it will depend on the duration and extent of the virus outbreak.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2020	2019
3	Revenue	726,738	692,112
	Cost of sales	-280,653	-233,212
	Other operating income	35,229	0
	Other external expenses	-70,214	-80,285
	Gross profit	411,100	378,615
4	Staff costs	-196,214	-166,421
5	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-205,436	-178,015
	Profit before net financials	9,450	34,179
6	Financial income	22,261	18,213
7	Financial expenses	-95,342	-85,100
	Profit/loss before tax	-63,631	-32,708
8	Tax for the year	7,228	-398
	Profit/loss for the year	-56,403	-33,106

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	ASSETS		
	Non-current assets		
9	Intangible assets		
	Development costs	20,424	18,136
	Acquired intangible assets	903	3,580
		<u>21,327</u>	<u>21,716</u>
10	Property, plant and equipment		
	Land and buildings	209,919	50,797
	Facility Housing	211,302	222,402
	Spare parts	49,857	37,627
	Fibre/ducts	1,483,622	1,318,043
	Other fixtures and equipment	279,516	369,446
	Leasehold improvements	1,470	1,932
	Property, plant and equipment under construction	165,057	118,103
	Prepayments for property, plant and equipment	24,501	0
		<u>2,425,244</u>	<u>2,118,350</u>
11	Financial assets		
	Investments in subsidiaries	1,607,558	1,607,558
	Receivables from group enterprises	258,986	319,888
	Deposits	5,896	4,942
		<u>1,872,440</u>	<u>1,932,388</u>
	Total non-current assets	<u>4,319,011</u>	<u>4,072,454</u>
	Current assets		
	Trade receivables	197,910	191,082
	Receivables from group enterprises	363,692	378,701
	Joint taxation contribution receivable	2,022	852
	Other receivables	12,279	13,144
12	Prepayments	42,673	33,188
		<u>618,576</u>	<u>616,967</u>
	Total current assets	<u>618,576</u>	<u>616,967</u>
	TOTAL ASSETS	<u>4,937,587</u>	<u>4,689,421</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
13	Share capital	2,325	2,325
	Revaluation reserve	11,140	11,687
	Reserve for development costs	15,930	14,146
	Retained earnings	995,147	1,042,184
	Total equity	1,024,542	1,070,342
	Liabilities		
14	Non-current liabilities		
15	Deferred tax	106,801	113,298
16	Other provisions for liabilities	0	514
	Lease liabilities	244,644	180,920
	Prepayments received	57,351	42,633
	Payables to group entities	2,629,912	2,122,279
	Other long-term liabilities	2,506	2,595
17	Deferred income	271,788	269,724
	Total non-current liabilities	3,313,002	2,731,963
	Current liabilities		
16	Other provisions for liabilities	11,737	451
	Debt to financial institutions	25,427	17,287
	Lease liabilities	44,532	41,017
	Prepayments received	17,450	21,190
	Trade payables	182,774	76,827
	Payables to group enterprises	11,305	390,210
	Other liabilities	113,135	131,601
17	Deferred income	193,683	208,533
	Total current liabilities	600,043	887,116
		3,913,045	3,619,079
	TOTAL EQUITY AND LIABILITIES	4,937,587	4,689,421

- 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
- 21 Appropriation of profit/loss



Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Revaluation reserve	Reserve for development
	Equity at 1 January 2020	2,325	11,687	1
21	Transfer, see "Appropriation of profit/loss"	0	0	
	Dissolution of previous years' revaluations	0	-547	
	Group contribution	0	0	
	Equity at 31 December 2020	2,325	11,140	1



Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of GlobalConnect A/S for 2020 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.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

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 ultimate parent company Nordic Connectivity AB.

Reporting currency

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

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.

Income statement

Revenue

The Company has chosen IFRS 15 "Revenue from contracts with customers" 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of non-current assets.

Cost of sales

Cost of sales 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.

Within the Group, there has been established a Long-term Incentive program (LTIP). The ultimate parent company Nordic Connectivity AB has the obligation to make a cash payment to the employees. The employees are employed in different subsidiaries, and GlobalConnect A/S has no obligation to settle the transaction and therefore, accounts for the transaction as equity-settled award, recognizing a staff cost and a corresponding credit in equity as a contribution from its parent.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment 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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation 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	3-15 years
Fibre/ducts	30-40 years
Other fixtures and equipment	3-10 years
Leasehold improvements	10 years

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 acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

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

Land is not depreciated.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable 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.

Leases

The Company has chosen IFRS 16 "Leases" as interpretation for classification and recognition of leases.

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The Company applies the low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Revaluation reserve

The reserve comprises revaluations of property, plant and equipment and 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 dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or 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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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.

2 Events after the balance sheet date

In general, the company has achieved results that are in line with expectations in 2020. The COVID-19 outbreak has affected and will affect the company's results and financial position in 2020 and 2021 respectively. However, it is not possible for the company's management at the time of financial reporting to quantify the effect, as it will depend on the duration and extent of the virus outbreak.

No events have occurred after the balance sheet date which could significantly affect the assessment of the Company's financial position.

It is expected that the Company will merge with its subsidiary GlobalConnect NN A/S in 2021.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2020	2019
3 Segment information		
Breakdown of revenue by business segment:		
Datacom	433,981	396,452
Digital Solutions	292,757	295,660
	726,738	692,112
Breakdown of revenue by geographical segment:		
Domestic	563,476	553,689
Abroad	163,262	138,423
	726,738	692,112
4 Staff costs and incentive programmes		
Wages/salaries	353,703	278,619
Pensions	30,457	24,000
Other social security costs	2,884	2,662
Other staff costs	-155,299	-110,018
Capitalised wages and salaries related to development projects and property, plant and equipment	-35,531	-28,842
	196,214	166,421
The Company has invoiced affiliated companies for staff costs with DKK 155,299 thousand (2019: DKK 110,018 thousand)		
Average number of full-time employees	465	387

Total remuneration to the Executive Board for 2020: DKK 10,839 thousand.

Incentive programmes

Within the Group, there has been established a long-term incentive program (LTIP). For Denmark, the LTIP includes the CEO and senior management. The parent company Nordic Connectivity AB has the obligation to make the cash payments to the employees. The employees are employed in the different subsidiaries, and the subsidiaries have no obligation to settle the transaction. Because GlobalConnect A/S has no obligation to settle the transaction, the transaction is accounted as an equity-settled award, recognizing a staff cost and a corresponding credit in equity as a contribution from its parent. In 2020, the cost related to LTIP amounts to DKK 10,603 thousand, which has been recognised under "Wages/salaries".

5 Amortisation/depreciation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	7,818	11,289
Depreciation of property, plant and equipment	179,961	161,404
Impairment of property, plant and equipment	17,657	5,322
	205,436	178,015

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2020	2019	
6 Financial income			
Interest income, group entities	19,485	17,301	
Exchange gains	2,772	902	
Other financial income	4	10	
	<u>22,261</u>	<u>18,213</u>	
7 Financial expenses			
Interest expenses, group entities	85,453	74,466	
Interest expenses, leases	6,869	7,912	
Exchange losses	2,415	1,632	
Other financial expenses	605	1,090	
	<u>95,342</u>	<u>85,100</u>	
8 Tax for the year			
Estimated tax charge for the year	-2,118	-852	
Deferred tax adjustments in the year	-6,473	327	
Tax adjustments, prior years	1,363	923	
	<u>-7,228</u>	<u>398</u>	
9 Intangible assets			
DKK'000	Development costs	Acquired intangible assets	Total
Cost at 1 January 2020	40,395	41,798	82,193
Additions	7,403	26	7,429
Cost at 31 December 2020	<u>47,798</u>	<u>41,824</u>	<u>89,622</u>
Impairment losses and amortisation at 1 January 2020	22,259	38,218	60,477
Amortisation for the year	5,115	2,703	7,818
Impairment losses and amortisation at 31 December 2020	<u>27,374</u>	<u>40,921</u>	<u>68,295</u>
Carrying amount at 31 December 2020	<u>20,424</u>	<u>903</u>	<u>21,327</u>

Completed development projects

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 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.

Financial statements 1 January - 31 December

Notes to the financial statements

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	Prepayments for property, plant and equipment	Total
Cost at 1 January 2020	65,296	444,859	37,627	1,993,690	855,431	10,073	118,103	0	3,525,079
Additions	125,701	2,917	12,230	131,648	7,626	0	243,454	24,501	548,077
Disposals	-2,350	-35,232	0	-5,873	-630	0	0	0	-44,085
Transferred	79,622	43,505	0	101,568	-28,195	0	-196,500	0	0
Cost at 31 December 2020	268,269	456,049	49,857	2,221,033	834,232	10,073	165,057	24,501	4,029,071
Revaluations at 1 January 2020	0	0	0	14,985	0	0	0	0	14,985
Value adjustments for the year	0	0	0	-701	0	0	0	0	-701
Revaluations at 31 December 2020	0	0	0	14,284	0	0	0	0	14,284
Impairment losses and depreciation at 1 January 2020	14,499	222,457	0	690,632	485,985	8,141	0	0	1,421,714
Impairment losses	17,657	0	0	0	0	0	0	0	17,657
Depreciation	15,779	22,478	0	61,063	80,179	462	0	0	179,961
Reversal of accumulated depreciation and impairment of assets disposed	-491	-188	0	0	-542	0	0	0	-1,221
Transferred	10,906	0	0	0	-10,906	0	0	0	0
Impairment losses and depreciation at 31 December 2020	58,350	244,747	0	751,695	554,716	8,603	0	0	1,618,111
Carrying amount at 31 December 2020	209,919	211,302	49,857	1,483,622	279,516	1,470	165,057	24,501	2,425,244
Carrying amount at 31 December 2020, if no revaluation had been made	0	0	0	1,445,458	0	0	0	0	
Property, plant and equipment include finance leases with a carrying amount totalling	161,417	26,299	0	88,440	7,002	0	0	0	283,158

11 Financial assets

DKK'000	Investments in subsidiaries	Receivables from group enterprises	Deposits	Total
Cost at 1 January 2020	1,607,558	319,888	4,942	1,932,388
Additions	0	0	954	954
Disposals	0	-60,902	0	-60,902
Cost at 31 December 2020	1,607,558	258,986	5,896	1,872,440
Carrying amount at 31 December 2020	1,607,558	258,986	5,896	1,872,440

Name	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries				
GlobalConnect NN A/S	Copenhagen	100.00%	271,362	25,154
GlobalConnect Netz GmbH*	Hamburg	100.00%	25,363	-7,527

*Based on unaudited financial statements as at 31 December 2020.

Financial statements 1 January - 31 December

Notes to the financial statements

12 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

DKK'000	2020	2019
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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 2020	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Deferred tax	106,801	0	106,801	0
Other provisions for liabilities	11,737	11,737	0	0
Lease liabilities	289,176	44,532	244,644	91,674
Prepayments received	74,801	17,450	57,351	14,741
Payables to group entities	2,629,912	0	2,629,912	0
Other long-term liabilities	2,506	0	2,506	0
Deferred income	290,702	18,914	271,788	125,406
	3,405,635	92,633	3,313,002	231,821

DKK'000	2020	2019
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15 Deferred tax

Deferred tax at 1 January	113,298	164,040
Adjustment of the deferred tax charge for the year	-6,473	327
Addition from merger	0	-2,199
Adjustment regarding change in accounting policies	0	-47,362
Adjustment regarding prior year	-24	-1,508
Deferred tax at 31 December	106,801	113,298

Deferred tax relates to:

DKK'000	2020	2019
Intangible assets	-1,372	-1,371
Property, plant and equipment	129,830	140,739
Liabilities	0	-212
Tax loss	-1,015	-667
Other taxable temporary differences	-20,642	-25,191
	106,801	113,298

Other taxable temporary differences primarily consist of leases and deferred income.

Financial statements 1 January - 31 December

Notes to the financial statements

16 Other provisions

Other provisions for liabilities relate to provision for legal costs and for guarantees 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 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	2020	2019
Guarentees to third parties	18,569	13,438
	<u>18,569</u>	<u>13,438</u>

GlobalConnect A/S has declared to its subsidiary, GlobalConnect NN A/S, not to recall the intra-group balance, at least until 31 December 2021.

The Company is jointly taxed with its parent, GlobalConnect Invest DK 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 2020.

19 Related parties

GlobalConnect A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
GlobalConnect Invest DK A/S	Copenhagen, Denmark	Principal shareholder

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Nordic Connectivity AB	Uppsala, Sweden	753 81 Uppsala, Sweden

Financial statements 1 January - 31 December

Notes to the financial statements

19 Related parties (continued)

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.

GlobalConnect Holding AS have declared not to recall the intra-group balance of DKK 2,436 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 1 January 2022.

GlobalConnect Invest DK A/S has declared not to recall the intra-group balance, at least until 31 December 2021.

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
GlobalConnect Invest DK A/S	Copenhagen, Danmark

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 Nordic Connectivity AB.

DKK'000	2020	2019
21 Appropriation of profit/loss		
Recommended appropriation of profit/loss	1,784	-2,208
Reserve for development costs	-58,187	-30,898
Retained earnings/accumulated loss	-56,403	-33,106

Verifikation

Transaktion 09222115557447568231

Dokument

GC_Årsrapport 2020
Hoveddokument
26 sider
Påbegyndt 2021-05-27 12:49:21 CEST (+0200) af Michella Schmidt (MS)
Færdiggjort 2021-05-27 17:03:07 CEST (+0200)

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Reichhardt Svendsen (RRS)

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