GlobalConnect NN A/S

Ejby Industrivej 1, 2600 Glostrup

CVR no. 27 17 27 76

Annual report 2019

Approved at the Company's annual general meeting on 26 June 2020

Chairman:

....

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 NN A/S for the financial year 1 January - 31 December 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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.

Glostrup, 4 June 2020
Executive Board:

Martin Lippert

Board of Directors:

Jacob Kjær Chairman	Jannie Laurberg Sørensen	Louise Hahn

Independent auditor's report

To the shareholder of GlobalConnect NN A/S

Opinion

We have audited the financial statements of GlobalConnect NN A/S for the financial year 1 January - 31 December 2019, 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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, 4 June 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Thomas Bruun Kofoed
State Authorised Public Accountant
mne28677

Management's review

Company details

Name	GlobalConnect NN A/S
Address, Postal code, City	Ejby Industrivej 1, 2600 Glostrup
CVR no.	27 17 27 76
Established	22 May 2003
Registered office	Glostrup
Financial year	1 January - 31 December
Website	www.globalconnect.dk
E-mail	info@globalconnect.dk
Telephone	+45 77 30 30 00
Board of Directors	Jacob Kjær, Chairman Jannie Laurberg Sørensen Louise Hahn
Executive Board	Martin Lippert
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

DKKm	2019	2018	2017	2016	2015
Key figures					
Revenue	365	361	328	296	287
Gross profit	234	208	191	160	133
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	117	113	109	88	65
Operating profit/loss	33	34	54	36	15
Net financials	-11	-32	-8	-7	-5
Profit/loss for the year	16	-53	35	19	7
Fixed assets	621	622	689	589	525
Non-fixed assets	114	114	74	58	60
Total assets	735	736	763	647	585
Equity	246	273	325	283	264
Non-current liabilities other than provisions	354	322	187	159	148
Current liabilities other than provisions	120	121	237	202	172
Financial ratios					
Operating margin	9.1%	11.8%	16.5%	12.2 %	5.2 %
Gross margin	64.1%	57.6%	58.2%	54.1%	46.3%
EBITDA-margin	32.1%	31.3%	33.2%	29.7%	22.6%
Current ratio	95.0%	94.2%	31.2%	28.7%	34.9%
Equity ratio	33.5%	37.1%	42.6%	43.7%	45.1%
Return on equity	6.2%	-17.7%	11.5%	6.9%	2.7%
Average number of employees	32	142	140	129	109

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

Ordinary operating profit/loss: Profit/loss before financial items adjusted for other operating income and other operating expenses

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

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

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

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: $\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

The key figures for the years 2015-2018 have not been amended to the implementation of IFRS 15 and IFRS 16 as at 1 January 2019, cf. accounting policies.

Management's review

Business review

GlobalConnect NN 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 sectors are continuously redefining how we work and have the potential to deliver immense benefits to society; via its network and datacenter infrastructure, GlobalConnect NN benefits from these underlying megatrends. GlobalConnect Group covers Denmark, Norway, Northern Germany and parts of Sweden with more than 42,000 km of high-speed optical fibre network and more than 18,000 m2 of data centers. GlobalConnect NN also acts as a turnkey supplier of international lines and services via partnering with other telecommunication operators outside GlobalConnect NN's own coverage area.

Changes in accounting policies

The ultimate parent company GlobalConnect Topholding AS has implemented IFRS in the consolidated financial statements. Management has therefore decided to implement the following changes in the accounting policies effective 1 January 2019 for GlobalConnect NN A/S:

- Revenue. The Company applies IFRS 15 "Revenue from contracts with customers" as interpretation for revenue recognition. Previously IAS 18 "Revenue" was applied.

- Leases. The Company applies IFRS 16 "Leases" as interpretation for classification and recognition of leases. Previously IAS 17 "Leasing" was applied.

Reference is made to note 1 for more details.

Financial review

The income statement for 2019 shows a profit of DKK 15,524 thousand against a loss of DKK 52,791 thousand last year, and the balance sheet at 31 December 2019 shows equity of DKK 246,208 thousand.

In the annual report for 2018, Management expected GlobalConnect NN's growth to continue during 2019. GlobalConnect NN's 2019 financial performance was in line with expectations and both the Board and Management consider it satisfactory.

No ordinary dividend is proposed for 2019.

Special risks

The price level of GlobalConnect NN'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 NN'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.

Research and development activities

GlobalConnect NN A/S does not have reseach or development activities.

Statutory CSR report

The working environment and the employees

Absence due to illness in GlobalConnect NN was 3,2% in 2019 (3,1 % in 2018). GlobalConnect NN has seen positive results from initiatives taken to reduce this kind of absence. GlobalConnect NN will continue its efforts to reduce the number of sick days and are exploring additional initiatives such as offering gym memberships and physical therapy.

No incidences or reporting of work-related accidents resulting in significant material damage or personal injury occurred during the year.

Management's review

The working environment is impacted by the poor quality of our facility, and efforts for improvements are made on an ongoing basis. GlobalConnect NN will move to a newly built domicile in Q4 2020, where environment and a green profile is a high priority.

The biggest risks are related to the work environment.

Working climate surveys were conducted during 2019. Next working Climate survey will be conducted latest in 2022. Furthermore, GlobalConnect NN conduct engagement surveys twice a month. GlobalConnect NN's various working environment committees held regular meetings in 2019. A number of issues have been discussed in the committees, which have resulted in recommendations of improvements to the related departments.

The cooperation with employee trade unions has been constructive and contributed positively to operations.

GlobalConnect NN want to make sure all employees thrive in the working environment. Code of conduct for employees at GlobalConnect NN defines corporate governance, sustainable business standards and ethical principles for the employees, board of directors and anyone acting on behalf of GlobalConnect NN.

Climate report

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.

GlobalConnect NN 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 NN 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 NN 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 NN is actively reducing CO_2 emission by replacing server infrastructure with less CO_2 consuming server infrastructure. This has in 2019 resulted in a like for like reduction of GlobalConnect NN's CO_2 emissions.

GlobalConnect NN has not identified any significant risks within the area of the environment, human rights and anticorruption. GlobalConnect NN will continuously monitor potential significant risks and initiate any needed actions to reduce significant risks within that area.

Account of the gender composition of Management

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

Management's review

The number of employees was 445 at 31 December 2019. 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 NN's top management is 30% women and 70% men. Status of the gender distribution of the Board of Directors in GlobalConnect NN is 67% 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 NN 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 NN 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. However, from the beginning of March 2020, management has found that the worldwide COVID-19 outbreak will potentially affect the Company's results and financial position in 2020. 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 otherwise occured after the balance sheet date which could significantly affect the assessment of the Company's financial position.

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 is beginning to have 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. As of today, the financial impact is limited, but given the uncertainties, it is too early for us to assess the full impact on our business and finance activities for 2020.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019	2018
3	Revenue	365,104	360,520
	Cost of sales	-111,936	-130,506
	Other operating income	3	8,912
	Other external expenses	-18,700	-30,584
	Gross profit	234,471	208,342
4	Staff costs	-117,559	-94,887
5	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-83,665	-70,787
	Profit before net financials	33,247	42,668
6	Financial income	75	141
	Write-down on investments	0	-55,381
7	Financial expenses	-10,905	-32,281
	Profit/loss before tax	22,417	-44,853
8	Tax for the year	-6,893	-7,938
	Profit/loss for the year	15,524	-52,791

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Fixed assets		
9	Intangible assets		
	Completed development projects	21	322
	Acquired intangible assets	0	11
	Acquired licenses	449	950
		470	1,283
10	Property, plant and equipment		
	Land and buildings	58	0
	Spare parts	9,179	8,350
	Plant and machinery	586,282	585,587
	Fixtures and fittings, other plant and equipment	4,316	5,782
		599,835	599,719
11	Investments		
	Investments in group enterprises	19,889	19,889
	Other receivables	766	763
		20,655	20,652
	Total fixed assets	620,960	621,654
	Non-fixed assets		
	Receivables		
	Trade receivables	35,443	41,074
	Receivables from group enterprises	456	23,862
	Joint taxation contribution receivable	0	627
	Other receivables	33,922	5,068
12	Prepayments	28,019	30,992
		97,840	101,623
	Cash	16,492	12,143
	Total non-fixed assets	114,332	113,766
	TOTAL ASSETS	735,292	735,420

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
13	Share capital	39,921	39,921
	Retained earnings	206,287	232,941
	Total equity	246,208	272,862
	Provisions		
14	Deferred tax	15,283	19,830
	Total provisions	15,283	19,830
	Liabilities other than provisions		
15	Non-current liabilities other than provisions		
	Lease liabilities	31,981	55,426
	Payables to group entities	284,013	266,760
16	Deferred income	37,940	0
		353,934	322,186
	Current liabilities other than provisions		
15	Short-term part of long-term liabilities other than provisions	61,779	46,412
	Trade payables	27,457	34,939
	Payables to group enterprises	22,887	16,188
	Corporation tax payable	0	2,145
	Other payables	7,744	20,858
		119,867	120,542
	Total liabilities other than provisions	473,801	442,728
	TOTAL EQUITY AND LIABILITIES	735,292	735,420

1 Accounting policies
2 Events after the balance sheet date
17 Contractual obligations and contingencies, etc.
18 Collateral
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	Retained earnings	Total
	Equity at 1 January 2019	39,921	232,941	272,862
	Adjustment of equity through changes in accounting policies	0	-42,178	-42,178
21	Transfer, see "Appropriation of profit/loss"	0	15,524	15,524
	Equity at 31 December 2019	39,921	206,287	246,208

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of GlobalConnect NN A/S for 2019 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

The ultimate parent company GlobalConnect Topholding AS has implemented IFRS in the consolidated financial statements. Management has therefore decided to implement the following changes in the accounting policies effective 1 January 2019 for GlobalConnect NN A/S:

- Revenue. The Company applies IFRS 15 "Revenue from contracts with customers" as interpretation for revenue recognition. Previously IAS 18 "Revenue" was applied.

Installation and connections fees that are not considered separate performance obligations (i.e. considered prepayments for future service delivered) are recognised over the period those services are being delivered. Previously, such fees were recognised as revenue when installation and connection were performed. As a result of the adoption, the Company recognised the cumulative effect of initially applying IFRS 15 as a pre-tax adjustment of DKK 54,074 thousand to the opening balance of retained earnings at the adoption date. The tax adjustment amounts to DKK 11,896 thousand resulting in a after-tax adjustment of DKK 42,178 thousand.

The Company adopted IFRS 15 using the modified retrospective transition method and applied a contract-by-contract approach for contracts that were completed as of 1 January 2019. Result for reporting periods beginning of 1 January 2019 are presented under IFRS 15, while prior periods are not adjusted and reported under IAS 18 "Revenue".

- Leases. The Company applies IFRS 16 "Leases" as interpretation for classification and recognition of leases. Previously IAS 17 "Leasing" was applied.

The Company adopted IFRS 16 using the modified retrospective transition method and has therefore not restated the comparative figures, which are still presented in accordance with the rules of IAS 17.

As opposed to previously, the Company must now recognise all leases in the balance sheet, including operating leases, with a few exceptions. Consequently, a lease commitment measured at the present value of the future lease payments, see description below, must now be realised together with a corresponding leased asset adjusted for payments made to the lessor prior to the commencement of the lease and incentive payments received from the lessor. In accordance with the transitional provisions of IFRS 16, when implementing the standard, the Company has chosen:
- Not to recognise leases of low value,
- Not to reassess whether a contract is or comprise a lease,
- To determine a discount rate on a portfolio of leases with similar characteristics.

When assessing the future lease payments, the Company reviewed its operating leases and identified the lease payments related to a lease component that are fixed or variable but change in line with changes in an index or an interest rate. The Company has chosen not to recognise payments related to service components as part of the lease commitment.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

When assessing the expected lease term, the Company identified the non-cancellable lease term of the lease plus periods covered by an extension option that Management is reasonably likely to exercise plus periods covered by a termination option that Management is reasonably unlikely to exercise.

When implementing IFRS 16, the Company has recognised a leased asset of DKK 49,626 thousand and a lease commitment of DKK 49,626 thousand, and thus, the effect on equity is DKK 0.

Leased assets primarily comprise plant and machinery.

The leased assets are depreciated on a straight-line basis over the expected lease term, which is:
- Plant and machinery: 3-5 years

When measuring the lease commitment, the Company has used an average incremental borrowing rate for discounting future lease payments of 3.40%.

Operating lease commitments as at 31 December 2018 (IAS 17)	151,917
Discounted operating lease commitments as at 1 January 2019	150,016
Applied transition rules:	
- Commitments relating to leases previously classified as finance leases	96,571
- Service components	-100,390
Lease liabilities as at 1 January 2019 (IFRS 16)	146,197

Changes in accounting estimates

The Company has with effect from 1 January 2019 re-assessed the expected useful life for ducts from 30 years to 40 years. The re-assessment has had a positive impact of DKK 4,234 thousand on the depreciation for 2019.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

Reporting currency

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

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Before 1 January 2019 the Company has chosen IAS 18 as interpretation for revenue recognition. After 1 January 2019 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.

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 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.

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 fixed assets.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

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 and impairment

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

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Completed development projects	5-10 years
Acquired other similar rights	5-10 years
Plant and machinery	5-40 years
Fixtures and fittings, other plant and equipment	3-10 years

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

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

Depreciation is recognised in the income statement.

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

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 5 years and cannot exceed 10 years.

Licenses are measured at cost less accumulated amortisation and impairment losses. Licenses are amortised over the term of the license, but not exceeding 10 years.

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

Property, plant and equipment

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

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

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

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

Leases

Before 1 January 2019 the Company has chosen IAS 17 as interpretation for classification and recognition of leases. From January 1 2019 the Company has chosen IFRS 16 "Leases" as interpretation for classification and recognition of leases.

Leases before 1 January 2019

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".

Leases after 1 January 2019

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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 fixed 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. Assets are written down to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the 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.

Financial statements 1 January - 31 December

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.

Cash

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

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 taxes

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

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. However, from the beginning of March 2020, management has found that the worldwide COVID-19 outbreak will potentially affect the company's results and financial position in 2020. 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 otherwise occured after the balance sheet date which could significantly affect the assessment of the Company's financial position.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000		2019	2018
3	Segment information		
	Breakdown of revenue by business segment:		
	Datacom	306,687	289,082
	Digital Solutions	58,417	71,438
		365,104	360,520
	Breakdown of revenue by geographical segment:		
	Denmark	361,453	356,995
	Other EU countries	3,651	3,525
		365,104	360,520
4	Staff costs		
	Wages/salaries	7,866	84,704
	Pensions	1,440	6,368
	Other social security costs	449	838
	Other staff costs	107,804	2,977
		117,559	94,887
	Average number of full-time employees	32	142

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

From 1 April 2019, all employees were transferred to GlobalConnect A/S. From this date, staff costs are allocated through administration fee. In 2019, an administration fee of DKK 107,088 thousand is included in other staff costs.

		2019	2018
5	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment		
	Amortisation of intangible assets	814	11,204
	Depreciation of property, plant and equipment	82,174	59,583
	Impairment of property, plant and equipment	677	0
		83,665	70,787
6	Financial income		
	Other interest income	75	141
		75	141

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2019	2018
7 Financial expenses		
Interest expenses, group entities	7,139	5,340
Interest expenses, leases	1,282	0
Other interest expenses	2,416	7,020
Exchange losses	68	38
Loss on the sale of investments in group enterprises	0	19,883
	10,905	32,281
8 Tax for the year		
Estimated tax charge for the year	0	1,288
Deferred tax adjustments in the year	4,833	6,398
Tax adjustments, prior years	2,060	252
	6,893	7,938

9 Intangible assets

DKK'000	Completed development projects	Acquired intangible assets	Acquired licenses	Total
Cost at 1 January 2019	5,580	20,410	950	26,940
Cost at 31 December 2019	5,580	20,410	950	26,940
Impairment losses and amortisation at 1 January 2019	5,258	20,399	0	25,657
Amortisation for the year	301	11	501	813
Impairment losses and amortisation at 31 December 2019	5,559	20,410	501	26,470
Carrying amount at 31 December 2019	21	0	449	470

Financial statements 1 January - 31 December

Notes to the financial statements

10 Property, plant and equipment

DKK'000	Land and buildings	Spare parts	Plant and machinery	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2019	0	8,350	878,120	21,455	907,925
Change in accounting policies	637	0	46,989	2,000	49,626
Additions	0	829	32,465	415	33,709
Disposals	0	0	-18,912	-5,552	-24,464
Cost at 31 December 2019	637	9,179	938,662	18,318	966,796
Impairment losses and depreciation at 1 January 2019	0	0	292,533	15,673	308,206
Impairment losses	0	0	677	0	677
Depreciation	579	0	77,714	3,881	82,174
Reversal of accumulated depreciation and impairment of assets disposed	0	0	-18,544	-5,552	-24,096
Impairment losses and depreciation at 31 December 2019	579	0	352,380	14,002	366,961
Carrying amount at 31 December 2019	58	9,179	586,282	4,316	599,835
Property, plant and equipment include finance leases with a carrying amount totalling	58	0	143,891	1,096	145,045

11 Investments

DKK'000	Investments in group enterprises	Other receivables	Total
Cost at 1 January 2019	75,270	763	76,033
Additions	0	3	3
Cost at 31 December 2019	75,270	766	76,036
Value adjustments at 1 January 2019	-55,381	0	-55,381
Value adjustments at 31 December 2019	-55,381	0	-55,381
Carrying amount at 31 December 2019	19,889	766	20,655

Name	Legal form	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries					
Zen Systems	A/S	Taastrup	100.00%	20,249	5,144

12 Prepayments

Prepayments recognised under current assets comprise expenses incurred concerning subsequent financial years, including rent of fiber connections from other suppliers.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2019	2018
13 Share capital		
Analysis of the share capital:		
39,921,194 A shares of DKK 1.00 nominal value each	39,921	39,921
	39,921	39,921

DKK'000	2019	2018
14 Deferred tax		
Deferred tax at 1 January	19,830	13,369
Tax in income statement	7,349	6,461
Tax directly in equity	-11,896	0
Deferred tax at 31 December	15,283	19,830
Deferred tax relates to:		
Intangible assets	-160	-133
Property, plant and equipment	41,769	25,271
Tax loss	-8,948	-5,308
Other taxable temporary differences	-17,378	0
	15,283	19,830

Other taxable temporary differences consist of leases and deferred income.

15 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Lease liabilities	80,772	48,791	31,981	0
Payables to group entities	284,013	0	284,013	0
Deferred income	50,928	12,988	37,940	0
	415,713	61,779	353,934	0

16 Deferred income

Deferred income consists of payments received from customers that may not be recognised until the subsequent financial year.

17 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2019	2018
Rent and lease liabilities	0	151,917

18 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2019.

Financial statements 1 January - 31 December

Notes to the financial statements

19 Related parties

GlobalConnect NN A/S' related parties comprise the following:

Significant influence

Related party	Domicile	Basis for significant influence
GlobalConnect A/S	Taastrup, Denmark	100%

Information about consolidated financial statements

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

Related party transactions

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.

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	2019	2018
21 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	15,524	-52,791
	15,524	-52,791