

TT-Netværket P/S

Amager Strandvej 60
2300 København S
Denmark

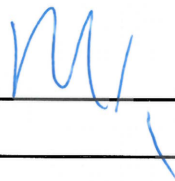
CVR no. 34 23 06 25

Annual report 2018

The annual report was presented and approved at
the Company's annual general meeting on

28 March 2019

chairman



Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	6
Company details	6
Financial highlights	7
Operating review	9
Financial statements 1 January – 31 December	12
Income statement	12
Balance sheet	13
Statement of changes in equity	15
Cash flow statement	16
Notes	17

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of TT-Netværket P/S for the financial year 1 January – 31 December 2018.

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

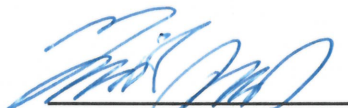
In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018.

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

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

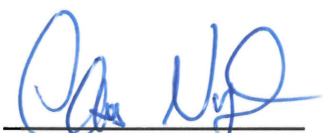
Copenhagen, 28 March 2019

Executive Board:



Henrik Brogaard
CEO

Board of Directors:



Claes Johan Ingemar
Nykander
Chairman



Jon Omund Revhaug
Vice Chairman

Stefan Erik Jäverbring



Allan Kock



Jesper Kamp Andersen



Leif Brandt

Independent auditor's report

To the shareholders of TT-Netværket P/S

Opinion

We have audited the financial statements of TT-Netværket P/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity, cash flow statement 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 Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these financial statements.



Independent auditor's report

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 company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.



Independent auditor's report

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

Copenhagen, 28 March 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

A handwritten signature in blue ink, appearing to read 'Michael Sten Larsen', with a long horizontal line extending to the right.

Michael Sten Larsen
State Authorised
Public Accountant
mne10488

TT-Netværket P/S
Annual report 2018
CVR no. 34 23 06 25

Management's review

Company details

TT-Netværket P/S
Amager Strandvej 60
2300 København S
Denmark

Telephone: +4588136070
Website: www.tt-network.dk

CVR no.: 34 23 06 25
Established: 17 February 2012
Registered office: Copenhagen
Financial year: 1 January – 31 December

Board of Directors

Claes Johan Ingemar Nykander, Chairman
Jon Omund Revhaug, Vice Chairman
Stefan Erik Jäverbring
Allan Kock
Jesper Kamp Andersen
Leif Brandt

Executive Board

Henrik Brogaard, CEO

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen
Denmark

Bank

Nordea Danmark A/S

Management's review

Financial highlights

DKK'000	2018	2017	2016	2015	2014
Key figures					
Revenue	880,106	897,965	852,159	870,151	966,906
Gross profit	484,361	482,403	461,757	475,929	374,602
Ordinary operating profit	48,741	77,830	91,482	123,593	222
Loss from financial income and expenses	-22,350	-27,113	-29,592	-40,445	-43,927
Profit/loss for the year	26,391	50,717	61,890	83,148	-43,704
Fixed assets	2,576,598	2,762,773	2,952,027	2,597,798	2,619,301
Current assets	227,468	323,958	234,968	313,972	320,060
Total assets	2,804,066	3,086,731	3,186,995	2,911,770	2,939,361
Contributed capital	100,000	100,000	100,000	100,000	100,000
Equity	1,089,471	1,063,080	1,012,361	950,471	867,325
Non-current liabilities other than provisions	1,202,976	1,462,734	1,514,675	1,242,946	1,253,379
Current liabilities other than provisions	187,023	189,229	224,841	273,249	287,433
Investment in property, plant and equipment	251,217	266,620	306,721	321,780	433,265
Ratios					
Gross margin	55.0%	53.7%	54.2%	54.7%	38.7%
Operating margin	5.5%	8.7%	10.7%	14.2%	0.5%
Return on invested capital	1.8%	2.7%	3.3%	4.7%	0.2%
Current ratio	121.6%	171.2%	104.5%	114.9%	111.4%
Return on Equity	2.5%	4.9%	6.3%	9.2%	-4.9%
Solvency ratio	38.9%	34.4%	31.8%	32.6%	29.5%
Average number of full-time employees	23	17	17	17	16

Management's review

Financial highlights

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit/loss} \times 100}{\text{Average invested capital}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Invested capital	Operating intangible assets and property, plant and equipment plus net working capital
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

Principal activities

TT-Netværket is a joint venture between Telenor and Telia, and its objective is to own, maintain and develop the common Radio Access Network related to all technologies (2G, 3G and 4G).

The Company was founded on 17 February 2012, and this is the seventh annual report presented by the Company.

Recognition and measurement uncertainties

The Company has made a provision of DKK 317,226 thousand to cover expected future costs related to the dismantling of antenna positions. The calculation of the provision is based on expected future prices for dismantling. The current average prices for dismantling are known, but the timing of the costs (useful lives of the antenna positions) and future prices are subject to uncertainty. The provision has been reduced during 2018 as the expected future price for dismantling is reduced. This is because the actual costs for dismantling in 2018 have been lower than in previous years.

Development in activities and financial position

Profit for the year

The Company's income statement for 2017 shows a net profit of DKK 26,391 thousand, and the balance sheet at 31 December 2018 shows equity of DKK 1,089,471 thousand.

This is a decrease in profit compared with 2017 due to reduced prices for TT-Netværket's services.

Net income is considered satisfactory and in line with expectations.

Events after the balance sheet date

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

Outlook

For 2019, the Company expects normal operations as well as positive net profit in line with 2018.

Intellectual capital

The Company's activities require significant expertise in the operation and development of mobile networks. It is therefore essential to the Company to recruit and retain employees with the appropriate training and level of experience.

It is the Company's view that the current internal and external conditions allow both recruitment and retention of employees with the appropriate skills.

The share of employees with high-level education is approx. 80%.

Particular risks

The Company has no significant risks apart from those common to the industry.

Management's review

Operating review

Statutory statement regarding social responsibility and gender diversity

Business model

In Denmark, however, the Company's activities only consist of a number of suppliers and subcontractors, who produce goods and services for use within the business in other countries including Eastern Europe and the Far East.

The Company wants to conduct its business in a socially responsible way. This includes complying with rules and regulations in Denmark as well as in the countries where the goods and services are produced.

The most materially direct social responsibility impact for TT-Netværket P/S is electricity consumption, which relates to the Company's impact on the climate and environment.

Environmental and Climate

The Company has a significant electricity consumption, and the future expansion of the network to meet the demand for extended coverage and capacity will increase future consumption. The Company has a policy to reduce electricity consumption and subsequent CO2 emissions. The main risk related to our activities is that the future expansion of our network will increase power consumption.

The Company continuously identify and invest in power saving initiatives that have a reasonable return on investment. In 2018, the Company has continued to replace cooling systems and modernised other network equipment to reduce electricity consumption. These optimisations have resulted in electricity savings of more than 740,000 KWh compared to 2017. Furthermore, the Company has implemented features that automatically shut down network capacity when it is not needed (e.g. during the night) to further reduce power consumption. These features will reduce consumption by more than 1,000,000 KWh per year.

These savings have, however, been offset by additional electricity consumption from the expansion of the network. The Company will continue to invest in initiatives to reduce electricity consumption and consequently its impact on climate and environment.

The Company has more than 4,000 antenna positions across Denmark. All antennas are built in accordance with current regulations and building permits, ensuring that the impact on the external environment is limited and within laws and guidelines.

Anti-corruption and human rights

The Company has policies on anti-corruption, human rights and labour rights. As the Company provides the vast majority of its services through third party suppliers, the main risk related to anti-corruption, human rights and labour rights is that our third-party subcontractors are in violation with our policies, with potential legal or commercial consequences. As our activities include working on antenna-positions in towers or on rooftops, avoiding work accidents involving our subcontractors or others have the highest priority. Therefore we perform third party suppliers screening against our human rights and anti-corruption principles.

The Company stated its policies on anti-corruption, human rights, labour rights and non-discrimination etc. in our supplier Code of Conduct. The Company's policies and Code of Conduct will as a minimum be the same as for Telia and Telenor combined.

Furthermore, all employees are expected to read the Code of Conduct/anti-corruption policy when they join the Company or when the policy is updated.

We have not had any violations of the anti-corruption and human rights policies in 2018.

Management's review

Operating review

Labour rights / social and staff matters

The Company is engaged in the well-being of its own employees and have policies in support of this. Most of our employees are highly skilled and specialized, and the main risk is to lose significant knowledge and intellectual capital if the employees are not well treated. In order to live up to our employee's expectations and ambitions for professional development, we provide competitive benefits packages and opportunities for development through training and other activities. To monitor results, we conduct employee satisfaction surveys that provides us with guidelines to improve ourselves as employers and to continue to deliver value to our employees. In 2018, we have lost 3 employees and hired 3 new employees.

Target for the board

It is the target of the Company that the underrepresented gender on the Board of Directors should be represented by at least one of six persons by the end of 2020, i.e. one female is to be included on the Board of Directors by the end of 2020. This target has not yet been reached, and currently there are six Board Members, all of whom are males. The members of the Board of Directors are elected by the owners based on qualifications, and both genders are considered equal.

Other management levels

The total number of employees in the Company is 23. As this is below 50, which is the minimum number of employees for defining a policy for other management levels, no such policy has been formulated for the Company.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2018	2017
Revenue		880,106	897,965
Other operating income		654	238
Other external costs		<u>-396,399</u>	<u>-415,800</u>
Gross profit		484,361	482,403
Staff costs	2	-15,222	-14,356
Depreciation, amortisation and impairment	3	<u>-420,398</u>	<u>-390,217</u>
Operating profit		48,741	77,830
Financial income		2	0
Financial expenses	4	<u>-22,352</u>	<u>-27,113</u>
Profit for the year	5	<u>26,391</u>	<u>50,717</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2018	2017
ASSETS			
Fixed assets			
Intangible assets	6		
Acquired licenses and comparable rights		<u>447,437</u>	<u>479,961</u>
Property, plant and equipment	7		
Land		474	474
Plant and machinery		2,069,295	2,216,516
Plant and machinery under construction		<u>24,605</u>	<u>30,611</u>
		<u>2,094,374</u>	<u>2,247,601</u>
Investments	8		
Deposits		<u>34,787</u>	<u>35,211</u>
Total fixed assets		<u>2,576,598</u>	<u>2,762,773</u>
Current assets			
Receivables			
Receivables from group entities		141,964	225,496
Other receivables		7,630	6,221
Prepayments		<u>13,377</u>	<u>10,267</u>
		<u>162,971</u>	<u>241,984</u>
Cash at bank and in hand		<u>64,497</u>	<u>81,974</u>
Total current assets		<u>227,468</u>	<u>323,958</u>
TOTAL ASSETS		<u><u>2,804,066</u></u>	<u><u>3,086,731</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Share capital	9	100,000	100,000
Share premium		700,000	700,000
Retained earnings		289,471	263,080
Total equity		<u>1,089,471</u>	<u>1,063,080</u>
Provisions			
Asset retirement obligation	10	317,226	333,155
Other provisions		7,370	38,533
Total provisions		<u>324,596</u>	<u>371,688</u>
Liabilities other than provisions			
Non-current liabilities other than provisions			
Liability to the Danish Energy Agency related to mobile licenses	11	212,976	262,734
Payables to group entities		990,000	1,200,000
		<u>1,202,976</u>	<u>1,462,734</u>
Current liabilities other than provisions			
Current portion of non-current liabilities other than provisions		53,670	53,670
Trade payables		61,066	89,178
Other payables		72,287	46,381
		<u>187,023</u>	<u>189,229</u>
Total liabilities other than provisions		<u>1,389,999</u>	<u>1,651,963</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,804,066</u></u>	<u><u>3,086,731</u></u>
Fees paid to auditor appointed at the annual general meeting	12		
Contractual obligations, contingencies, etc.	13		
Related party disclosures	14		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	<u>Contributed capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2018	100,000	700,000	263,080	1,063,080
Transferred over the profit appropriation	<u>0</u>	<u>0</u>	<u>26,391</u>	<u>26,391</u>
Equity at 31 December 2018	<u><u>100,000</u></u>	<u><u>700,000</u></u>	<u><u>289,471</u></u>	<u><u>1,089,471</u></u>

Financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	2018	2017
Profit/loss for the year		26,391	50,717
Depreciation and amortisation		436,977	390,217
Net change in provision		-53,920	-7,374
Financial income		-2	0
Financial expenses		22,352	27,113
Cash flow from operating activities before changes in working capital		431,798	460,673
Changes in working capital	15	76,807	-104,880
Cash flows from operating activities		508,605	355,793
Interest paid		-15,522	-18,298
Cash flows from operating activities		493,083	337,495
Acquisition of intangible assets		-9	-187
Acquisition of property, plant and equipment		-251,217	-266,620
Deposits repaid		424	977
Cash flows from investing activities		-250,802	-265,830
External financing:			
Repayment of long-term debt		-259,758	-51,941
Cash flows from financing activities		-259,758	-51,941
Net cash flows for the year		-17,477	19,724
Cash and cash equivalents at 1 January		81,974	62,250
Cash and cash equivalents at 31 Decemer		64,497	81,974

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies

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

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost, applying a constant yield to maturity. Amortised cost is the original cost less any principal repayments and plus/minus the cumulative amortisation of the difference between cost and nominal value.

Recognition and measurement take into account gains, losses and risks occurring prior to the annual report that evidence affairs and conditions existing at the balance sheet date.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Furthermore, costs incurred for this year's earnings are recognised, including depreciation, amortisation, impairment losses and reversals due to changes in accounting estimates of amounts previously recognised in the income statement.

Foreign currency translation

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

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue comprises the value of services provided less value added tax and is recognised in the income statement provided that all risks and rewards have been transferred to the buyer.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other external costs

Other external expenses include expenses relating to site rent, administration, office premises, etc.

Staff costs

Staff costs include wages and salaries, including holiday pay, pensions and other social security costs, etc.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on transactions denominated in foreign currencies and amortisation of financial assets and liabilities.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Intangible assets comprise acquired rights, including mobile licences and software licences.

Licences are measured at cost less accumulated amortisation and impairment losses. Licences are amortised over the licence period; however, not exceeding 20 years.

Gains and losses on the disposal of licences are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as amortisation and impairment losses.

Property, plant and equipment

Land, plant and machinery 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 includes retirement obligation if it meets the conditions for recognition of provisions.

For property, plant and equipment under construction, cost includes direct labour, materials, purchased parts and labour work provided by a sub-supplier.

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.

Depreciation is recognised in the income statement as depreciation and impairment losses.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

The depreciable amount, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Plant and machinery	5-30 years
---------------------	------------

If the depreciation period or the residual value is changed, the effect on depreciation going forward is considered a change in accounting estimates.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as depreciation and impairment losses.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by amortisation or depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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

Other assets

Other assets comprise deposits and are measured at cost.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. The value is reduced by write-downs for bad debts.

Prepayments

Prepayments comprise costs incurred in relation to subsequent financial years.

Provisions

Provisions include asset retirement obligations. Provisions are recognised when, at the balance sheet date, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation.

When the Company is obligated to dismantle an asset or restore the site on which the asset is used, a liability equal to the present value of the expected future costs is recognised. After initial recognition of the present value, the accretion expense is recognised as a financial expense in the income statement.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Liabilities other than provisions

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

Other liabilities are measured at net realisable value.

Cash flow statement

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items and changes in working capital.

Cash flows from investing activities

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

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's share capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividend to owners.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Significant accounting estimates, assumptions and uncertainties

Some items cannot be reliably measured but only estimated. Such estimates are based on the latest information available at the time of the financial reporting. It may be necessary to change previous estimates due to changes in the factors underlying the estimates or due to new information, more experience or subsequent events.

In connection with the practical application of the accounting policies, Management makes judgements significantly affecting the financial statements within the following areas:

Asset retirement obligation

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

In most cases, the asset retirement will take place in the distant future, and therefore, it will lead to significant uncertainty as to whether the liability will actually be settled. The actual gross settlement costs that the Company incurs may differ materially from the estimated costs, for example because of price negotiations or agreements that reduce or relieve the Company from its obligations. The timing of the settlement process may also differ significantly from the estimated timing.

Estimated useful lives

The expected useful lives of property, plant and equipment and intangible assets are reviewed annually to ensure consistency with the expected useful lives of the assets based on current facts and circumstances.

2 Staff costs

DKK'000	2018	2017
Wages and salaries	12,582	11,849
Pensions	1,458	1,235
Other social security costs	150	114
Other staff costs	1,032	1,158
	15,222	14,356
Average number of full-time employees	23	17

Remuneration to the Executive Board has not been disclosed in accordance with section 98b (3) of the Danish Financial Statements Act.

3 Depreciation on property, plant and equipment, amortisation of intangible assets and impairment losses

DKK'000	2018	2017
Intangible assets	32,533	20,867
Property, plant and equipment	342,804	336,232
Scrapped assets	45,061	33,118
	420,398	390,217

4 Financial expenses

Interest expense to group entities	11,179	13,388
Other financial costs	11,173	13,725
	22,352	27,113

5 Proposed profit appropriation

Retained earnings	26,391	50,717
-------------------	--------	--------

Financial statements 1 January – 31 December

Notes

6 Intangible assets

DKK'000	Acquired licenses and comparable rights
Cost at 1 January 2018	522,298
Additions for the year	9
Cost at 31 December 2018	522,307
Amortisation and impairment losses at 1 January 2018	-42,337
Amortisation for the year	-32,533
Amortisation and impairment losses at 31 December 2018	-74,870
Carrying amount at 31 December 2018	447,437

7 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Plant and machinery under construction	Total
Cost at 1 January 2018	474	3,772,097	30,611	3,803,182
Additions during the year	0	61,181	190,036	251,217
ARO adjustment	0	-16,451	0	-16,451
Transferred	0	196,042	-196,042	0
Disposals for the year	0	-82,046	0	-82,046
Cost at 31 December 2018	474	3,930,823	24,605	3,955,902
Depreciation and impairment losses at 1 January 2018	0	-1,555,581	0	-1,555,581
Depreciation for the year	0	-342,804	0	-342,804
Reversed depreciation and impairment losses on assets sold	0	36,857	0	36,857
Depreciation and impairment losses at 31 December 2018	0	-1,861,528	0	-1,861,528
Carrying amount at 31 December 2018	474	2,069,295	24,605	2,094,374

Depreciated over

5-30 years

Financial statements 1 January – 31 December

Notes

8 Other assets

DKK'000	<u>Deposits</u>
Cost at 1 January 2018	35,211
Disposals for the year	<u>-424</u>
Cost at 31 December 2018	34,787
Carrying amount at 31 December 2018	<u><u>34,787</u></u>

9 Share capital

The share capital consists of:

DKK'000	<u>2018</u>	<u>2017</u>
100,000 shares of nom. DKK 1 each	100,000	100,000

All shares rank equally.

There have been no changes in the share capital since the formation of the Company on 17 February 2012.

10 Provisions

DKK'000	<u>Asset retirement obligation</u>	<u>Other provisions</u>	<u>Total</u>
Provisions at 1 January 2018	333,155	38,533	371,688
Additions and adjustment of obligation during the year	-9,788	9,295	-493
Utilisation and adjustment of utilisation during the year	<u>-6,141</u>	<u>-40,458</u>	<u>-46,599</u>
Provisions at 31 December 2018	<u><u>317,226</u></u>	<u><u>7,370</u></u>	<u><u>324,596</u></u>

11 Non-current liabilities other than provisions

DKK'000	<u>Total liabilities at 1 January 2018</u>	<u>Total liabilities at 31 December 2018</u>	<u>Repayments next year</u>	<u>Non-current portion</u>	<u>Outstanding debt after five years</u>
Liability to the Danish Energy Agency related to mobile licences	316,404	266,646	53,670	212,976	42,524
Loan from group entities	<u>1,202,531</u>	<u>991,774</u>	<u>0</u>	<u>990,000</u>	<u>0</u>
	<u><u>1,518,935</u></u>	<u><u>1,258,420</u></u>	<u><u>53,670</u></u>	<u><u>1,202,976</u></u>	<u><u>42,524</u></u>

Financial statements 1 January – 31 December

Notes

12 Fees paid to auditor appointed at the annual general meeting

DKK'000	2018	2017
KPMG		
Statutory audit	108	108
Assurance engagements	40	40
Other assistance	14	14
	<u>162</u>	<u>162</u>

13 Contractual obligations, contingencies, etc.

Rent payments	586	626
Payments under operating leases regarding cars	395	599
Site rent payments regarding non-cancellable contracts	311,957	355,020
	<u>312,938</u>	<u>356,245</u>

Financial statements 1 January – 31 December

Notes

14 Related party disclosures

TT-Netværket P/S' related parties comprise the following:

- Telenor A/S, Frederikskaj 8, 2450 København SV, Denmark, CVR no. 19 43 36 92
- Telia Mobile Holding AB, Sweden
- Komplementarselskabet af 14. juni 2011 A/S, Amager Strandvej 60, 2300 København S, Denmark, CVR no. 34 20 41 87
- Executive Board and Board of Directors.

Related party transactions

DKK'000	2018	2017
Sales of services	844	863
Network related costs	80	132
Purchases of network equipment etc from Partners	20	152
	<u>944</u>	<u>1,147</u>

Remuneration to the Parent Company's Executive Board and Board of Directors has not been disclosed in accordance with section 98b (3) of the Danish Financial Statements Act. Payables and receivables to group entities are disclosed in the balance sheet and expensed interest is disclosed in note 4.

Ownership

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

- Telenor A/S, Frederikskaj 8, 2450 København SV, Denmark, CVR no. 19 43 36 92
- Telia Mobile Holding AB, Sweden.

15 Changes in working capital

DKK'000	2018	2017
Change in receivables	79,013	-86,772
Change in trade and other payables	-2,206	-18,108
	<u>76,807</u>	<u>-104,880</u>