TT-Netværket P/S

Amager Strandvej 60
2300 København S
Denmark

CVR no. 34 23 06 25

Annual report 2017

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

16 April 2018

chairman

HENRIK PEYTZ
~~ADVOKAT (H)~~
NIELSEN NØRAGER
FREDERIKSBERGGADE 16
1459 KØBENHAVN K
TLF. 33 11 45 45 FAX 33 11 80 81
E-MAIL HP@NNLAW.DK

Contents

K

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 2017.

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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the 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, 16 April 2018
Executive Board:

Carsten Bryder Thejls

Board of Directors:

Jon Omund Revhaug Chairman	Claes Johan Ingemar Nykander Vice Chairman	Stefan Erik Jäverbring
Thomas Holst Laursen	Allan Kock	Leif Brandt

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 2017.

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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the 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, 16 April 2018
Executive Board:

Carsten Bryder Thejls

Board of Directors:

Jon Omund Revhaug Chairman	Claes Johan Ingemar Nykander Vice Chairman	Stefan Erik Jäverbring
Thomas Holst Laursen	Allan Kock	Leif Brandt

u

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 2017.

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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the 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, 16 April 2018
Executive Board:

Carsten Bryder Thejls

Board of Directors:

Jon Omund Revhaug Chairman	Claes Johan Ingemar Nykander Vice Chairman	Stefan Erik Jäverbring
Thomas Holst Laursen	Allan Kock	Leif Brandt

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 2017.

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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the 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, 16 April 2018
Executive Board:

Carsten Bryder Thejls

Board of Directors:

Jon Omund Revhaug Chairman	Claes Johan Ingemar Nykander Vice Chairman	Stefan Erik Jäverbring
Thomas Holst Laursen	Allan Kock	Leif Brandt

ル

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 2017.

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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the 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, 16 April 2018
Executive Board:

Carsten Bryder Thejls

Board of Directors:

Jon Omund Revhaug Chairman	Claes Johan Ingemar Nykander Vice Chairman	Stefan Erik Jäverbring
Thomas Holst Laursen	Allan Kock	Leif Brandt

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 2017.

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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the 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, 10 April 2018
Executive Board:

Carsten Bryder Thejls

Board of Directors:

Jon Oirund Revhaug Chairman	Claes Johan Ingemar Nykander Vice Chairman	Stefan Erik Javerbring
Thomas Holst Laursen	Allan Kock	Leif Brandt

KPMG

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 2017 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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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.

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.

h

KPMG

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 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.

n

KPMG

Independent auditor's report

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

Copenhagen, 16 April 2018
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Michael Sten Larsen
State Authorised
Public Accountant
MNE no. 10488

h

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

Jon Omund Revhaug, Chairman
Claes Johan Ingemar Nykander, Vice Chairman
Stefan Erik Jäverbring
Thomas Holst Laursen
Allan Kock
Leif Brandt

Executive Board

Carsten Bryder Thejls

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen
Denmark

Bank

Nordea Danmark A/S

h

Management's review

Financial highlights

DKK'000	2017	2016	2015	2014	2013
Key figures					
Revenue	897,965	852,159	870,151	966,906	1,027,790
Gross profit	482,403	461,757	475,929	374,602	498,002
Ordinary operating profit	77,830	91,482	123,593	222	100,055
Loss from financial income and expenses	-27,113	-29,592	-40,445	-43,927	-42,310
Profit/loss for the year	50,717	61,890	83,148	-43,705	57,745
Fixed assets	2,762,773	2,952,027	2,597,798	2,619,301	2,551,636
Current assets	323,958	234,968	313,972	320,060	389,666
Total assets	3,086,731	3,186,995	2,911,770	2,939,361	2,941,302
Contributed capital	100,000	100,000	100,000	100,000	100,000
Equity	1,063,080	1,012,361	950,471	867,325	911,027
Non-current liabilities other than provisions	1,462,734	1,514,675	1,242,946	1,253,379	1,263,689
Current liabilities other than provisions	189,229	224,843	273,249	287,433	363,486
Investment in property, plant and equipment	266,620	306,721	321,780	433,265	428,771
Ratios					
Gross margin	53.7%	54.2%	54.7%	38.7%	48.5%
Operating margin	8.7%	10.7%	14.2%	0.5%	9.7%
Return on invested capital	2.7%	3.3%	4.7%	0.2%	3.4%
Current ratio	171.2%	104.5%	114.9%	111.4%	105.5%
Return on Equity	4.9%	6.3%	9.2%	-4.9%	6.3%
Solvency ratio	34.4%	31.8%	32.6%	29.5%	31.0%
Average number of full-time employees	17	17	17	16	16

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". The financial ratios have been calculated as follows:

Gross margin $$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$$

Operating margin $$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$$

Return on invested capital $$\frac{\text{Operating profit/loss * 100}}{\text{Average invested capital}}$$

Invested capital: Operating intangible assets and property, plant and equipment plus net working capital

Return on equity $$\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$$

Solvency ratio $$\frac{\text{Equity ex. non-controlling interests at year end x 100}}{\text{Total equity and liabilities at year end}}$$

h

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 sixth annual report presented by the Company.

Recognition and measurement uncertainties

The Company has made a provision of DKK 333,155 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 significantly during 2017 as the expected future price for dismantling is reduced. This is because the actual costs for dismantling in 2017 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 50,717 thousand, and the balance sheet at 31 December 2017 shows equity of DKK 1,063,080 thousand.

This is a decrease in profit compared with 2016 due to extraordinary restructuring cost for onerous contracts of DKK 20,717 thousand.

Net income is considered satisfactory and in line with expectations.

Outlook

For 2018, the Company expects normal operations as well as positive net profit in line with 2017.

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.

h

Management's review

Operating review

Statutory statement regarding social responsibility and gender diversity

Given the activity and structure of ownership, the most material social responsibility area for TT-Netværket P/S is electricity consumption, which relates to the Company's impact on the climate and environment.

The Company has 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 focuses on and will continue to focus on reducing electricity consumption and subsequent CO2 emissions. In 2017, the Company has continued to replace cooling systems and modemised other network equipment to reduce electricity consumption. These optimisations have resulted in electricity savings of more than 500,000 KWh compared to 2016. 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.

The Company requires that all third party suppliers comply with the supplier code of conduct principles specified by Telenor and Telia covering for instance human rights. In 2017, all suppliers have agreed to these principles.

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

The total number of employees in the Company is 17. 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 created for the Company.

n

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2017	2016
Revenue		897,965	852,159
Other operating income		238	304
Other external costs		-415,800	-390,706
Gross profit		482,403	461,757
Staff costs	2	-14,356	-13,887
Depreciation, amortisation and impairment	3	-390,217	-356,388
Operating profit		77,830	91,482
Financial expenses	4	-27,113	-29,592
Profit for the year	5	50,717	61,890

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2017	2016
ASSETS			
Fixed assets			
Intangible assets	6		
Acquired licences and comparable rights		479,961	500,641
		479,961	500,641
Property, plant and equipment	7		
Land		474	474
Plant and machinery		2,216,516	2,388,523
Plant and machinery under construction		30,611	26,201
		2,247,601	2,415,198
Other assets	8		
Deposits		35,211	36,188
		35,211	36,188
Total fixed assets		2,762,773	2,952,027
Current assets			
Receivables			
Receivables from group entities		225,496	158,674
Other receivables		6,221	661
Prepayments		10,267	13,383
		241,984	172,718
Cash at bank and in hand		81,974	62,250
Total current assets		323,958	234,968
TOTAL ASSETS		3,086,731	3,186,995

n

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Share capital	9	100,000	100,000
Share premium		700,000	700,000
Retained earnings		263,080	212,361
Total equity		1,063,080	1,012,361
Provisions	10		
Asset retirement obligation		333,155	389,861
Other provisions		38,533	45,255
Total provisions		371,688	435,116
Liabilities other than provisions			
Non-current liabilities other than provisions	11		
Liability to the Danish Energy Agency related to mobile licences		262,734	314,675
Payables to group entities		1,200,000	1,200,000
		1,462,734	1,514,675
Current liabilities other than provisions			
Current portion of non-current liabilities other than provisions	11	53,670	53,670
Trade payables		89,178	39,441
Payables to group entities		0	71,630
Other payables		46,381	60,102
		189,229	224,843
Total liabilities other than provisions		1,651,963	1,739,518
TOTAL EQUITY AND LIABILITIES		3,086,731	3,186,995

Contractual obligations, contingencies, etc.	12
Fees paid to auditor appointed at the annual general meeting	13
Related party disclosures	14

n

Financial statements 1 January – 31 December

Statement of changes in equity

	Contributed capital	Share premium	Retained earnings	Total
Equity at 1 January 2017	100,000	700,000	212,363	1,012,363
Transferred over the profit appropriation	0	0	50,717	50,717
Equity at 31 December 2017	100,000	700,000	263,080	1,063,080

n

Financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	2017	2016
Profit/loss for the year		50,717	61,890
Depreciation and amortisation		390,217	356,995
Net change in provision		-7,374	-24,666
Financial expenses		27,113	29,592
Cash flow from operating activities before changes in working capital		460,673	423,811
Changes in working capital	15	-104,880	-84,313
Cash flows from operating activities		355,793	339,498
Interest paid		-18,298	-20,423
Cash flows from operating activities		337,495	319,075
Acquisition of intangible assets		-187	-83,995
Acquisition of property, plant and equipment		-266,620	-301,212
Deposits repaid		977	4,305
Cash flows from investing activities		-265,830	-380,902
External financing:			
Repayment of long-term debt		-51,941	-10,560
Cash flows from financing activities		-51,941	-10,560
Net cash flows for the year		19,724	-72,387
Cash and cash equivalents at 1 January		62,250	134,637
Cash and cash equivalents at 31 Decemer		81,974	62,250

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

h

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of TT-Netværket P/S for 2017 has been prepared in accordance with the provisions applying to reporting class C large entities entites 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.

n

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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.

h

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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.

h

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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.

n

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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:

n

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Asset retirement obligation

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.

h

Financial statements 1 January – 31 December

Notes

2 Staff costs

DKK'000	2017	2016
Wages and salaries	11,849	11,877
Pensions	1,235	978
Other social security costs	114	114
Other staff costs	1,158	918
	14,356	13,887
Average number of employees	17	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	2017	2016
Intangible assets	20,867	6,056
Property, plant and equipment	336,232	324,670
Scrapped assets	33,118	25,662
	390,217	356,388

4 Financial expenses

DKK'000	2017	2016
Interest expense to group entities	13,388	18,377
Other financial costs	13,725	11,215
	27,113	29,592

5 Proposed profit appropriation

Retained earnings	50,717	61,890
	50,717	61,890

n

Financial statements 1 January – 31 December

Notes

6 Intangible assets

DKK'000	Acquired licences and comparable rights
Cost at 1 January 2017	522,111
Additions for the year	187
Cost at 31 December 2017	522,298
Amortisation and impairment losses at 1 January 2017	-21,470
Amortisation for the year	-20,867
Amortisation and impairment losses at 31 December 2017	-42,337
Carrying amount at 31 December 2017	479,961

7 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Plant and machinery under construction	Total
Cost at 1 January 2017	474	3,630,893	26,201	3,657,568
Additions during the year	0	44,540	222,080	266,620
ARO adjustment	0	-64,867	0	-64,867
Transferred	0	217,670	-217,670	0
Disposals for the year	0	-56,139	0	-56,139
Cost at 31 December 2017	474	3,772,097	30,611	3,803,182
Depreciation and impairment losses at 1. januar 2017	0	-1,242,370	0	-1,242,370
Depreciation for the year	0	-336,232	0	-336,232
Disposals	0	23,021	0	23,021
Depreciation and impairment losses at 31 December 2017	0	-1,555,581	0	-1,555,581
Carrying amount at 31 December 2017	474	2,216,516	30,611	2,247,601

Depreciated over 5-30 years

n

Financial statements 1 January – 31 December

Notes

8 Other assets

DKK'000	Deposits
Cost at 1 January 2017	36,188
Additions for the year	-977
Cost at 31 December 2017	35,211
Carrying amount at 31 December 2017	35,211

9 Share capital

The share capital consists of:

DKK'000	2017	2016
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	Asset retirement obligation	Other provisions	Total
Provisions at 1 January 2017	389,861	45,255	435,116
Additions and adjustment of obligation during the year	-56,858	16,717	-40,141
Utilisation and adjustment of utilisation during the year	152	-23,439	-23,287
Provisions at 31 December 2017	333,155	38,533	371,688

11 Non-current liabilities other than provisions

DKK'000	Total liabilities at 1 January 2017	Total liabilities at 31 December 2017	Repayments next year	Non-current portion	Outstanding debt after five years
Liability to the Danish Energy Agency related to mobile licences	368,345	316,404	53,670	262,734	85,048
Loan from group entities	1,200,000	1,202,531	0	1,200,000	0
	1,568,345	1,518,935	53,670	1,462,734	85,048

n

Financial statements 1 January – 31 December

Notes

12 Contractual obligations, contingencies, etc.

DKK'000	2017	2016
Rent payments	626	623
Payments under operating leases regarding cars	599	156
Site rent payments regarding non-cancellable contracts	355,020	402,075
	356,245	402,854

13 Fees paid to auditor appointed at the annual general meeting

DKK'000	2017	2016
KPMG		
Statutory audit	108	108
Assurance engagements	40	50
Other assistance	14	14
	162	172

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

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98 c(7) of the Danish Financial Statements Act.

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.

h

Financial statements 1 January – 31 December

Notes

15 Changes in working capital

DKK'000	2017	2016
Change in receivables	-86,772	6,617
Change in trade and other payables	-18,108	-90,930
	-104,880	-84,313