Norlys Fibernet A/S

Tietgensvej 4, DK-8600 Silkeborg

Annual Report for 2023

CVR No. 36 42 35 44

The Annual Report was presented and adopted at the Annual General Meeting of the company on 25/4 2024

Hideo Sawahata
Chairman of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Norlys Fibernet A/S for the financial year 1 January - 31 December 2023.

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 at 31 December 2023 of the Company and of the results of the Company operations for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Silkeborg, 8 April 2024

Executive Board

Carsten Bryder Thejls CEO	Stine Aare Jensen CFO

Board of Directors

Jesper Vinter Barslund Chairman	Dennis van Alphen Vice chairman	Christian Greve
Malte Larsen	Jess Julin Ibsen	Gert Vinther Jørgensen
Jakobus Maarten Alfrink	Alexandre Edouard Jean Pieyre	

Independent Auditor's report

To the shareholder of Norlys Fibernet A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company´s operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Norlys Fibernet A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (”the Financial Statements”).

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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

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.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 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 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.

Aarhus C, 8 April 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Michael Groth Hansen	Line Borregaard
State Authorised Public Accountant	State Authorised Public Accountant
mne33228	mne34353

Company information

The Company	Norlys Fibernet A/S Tietgensvej 4 DK-8600 Silkeborg CVR No: 36 42 35 44 Financial period: 1 January - 31 December Incorporated: 4 November 2014 Financial year: 9th financial year Municipality of reg. office: Silkeborg
Board of Directors	Jesper Vinter Barslund, chairman Dennis van Alphen, vice chairman Christian Greve Malte Larsen Jess Julin Ibsen Gert Vinther Jørgensen Jakobus Maarten Alfrink Alexandre Edouard Jean Pieyre
Executive Board	Carsten Bryder Thejls Stine Aare Jensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	1,298,396	1,132,134	906,046	856,558	707,614
Gross profit	1,141,831	892,849	401,481	340,318	358,521
Profit/loss of primary operations	154,394	105,469	-36,044	-87,753	-22,545
Profit/loss of financial income and expenses	-272,992	-99,709	-22,940	-16,544	-21,781
Net profit/loss for the year	-92,191	9,946	-45,831	-80,306	-30,855
Balance sheet					
Balance sheet total	10,663,503	9,971,265	3,739,352	3,563,194	3,140,238
Investment in property, plant and equipment	1,258,307	1,409,524	488,370	528,768	348,122
Equity	2,205,263	2,402,224	893,351	939,182	1,019,488
Ratios					
Gross margin	87.9%	78.9%	44.3%	39.7%	50.7%
Profit margin	11.9%	9.3%	-4.0%	-10.2%	-3.2%
Return on assets	1.4%	1.1%	-1.0%	-2.5%	-0.7%
Solvency ratio	20.7%	24.1%	23.9%	26.4%	32.5%
Return on equity	-4.0%	0.6%	-5.0%	-8.2%	-6.1%

The amounts and numbers disclosed for 2023 and 2022 are impacted by the merger of Norlys Fibernet A/S with both SE Fibernet A/S and Verdo A/S, as well as the demerger of the Digital Business activities to Stofa A/S. Both mergers and demerger have taken effect 1 January 2022 from an accounting perspective and the comparative years have not be adjusted.

Management's review

Key activities

The company's purpose is to conduct business in digital communications, including owning, establishing, operating and maintaining infrastructure business based on fiber broadband technology, as well as marketing, selling and distributing fiber broadband services and products also via cooperation with external service providers.

Market overview

Fast internet is a fundamental basis for functioning in the global knowledge society. In this connection the company, as part of Norlys, has committed to deliver high-speed broadband to all core owners before the end of 2023. This must also apply to areas where the investment, viewed in isolation, has a very long payback period.

The company's fiber network is the country's largest fiber network. The company's fiber network is fully accessible to other service providers. This gives the end users the opportunity to freely choose their service provider of TV and broadband. Via OpenNet, the company has entered agreements with more or less all service providers in the market.

Alongside all the development activities, we have managed to keep the operations stable and meet the delivery times for new fiber installations in 2023.

Development in the year

The company's result for 2023 shows a loss for the year of -92 million DKK, and the company's balance as of 31 December 2023 shows equity of 2.205 million. DKK

The company establishes, operates, maintains, and supports fiber networks throughout Denmark, though primarily concentrated in Norlys supply area and has cooperation agreements with among others, RAH Fiberbredbånd, SEF Fiber and Nord Energi.

In addition, the company sells, develops and distributes fiber broadband via partners to private, association and business customers. And finally, the company offers wholesale services and access to Norlys fiber network through the independent wholesale company OpenNet A/S.

In 2023, the company has rolled out fiber to 68.054 new addresses, and covers in total 875.000 addresses, which makes Norlys Fibernet the largest Fibernet in Denmark.

The past year and follow-up on development expectations from last year

The company's result for 2023 shows an Earnings before interest and tax (EBIT) of 154 million DKK, which is lower than expected, due to higher depreciation and higher operating cost. The earnings before tax for 2023 shows a result of -118 million DKK, which accordingly is below expectation, due to higher interest rates in 2023 than expected.

Despite the lower result in 2023, the company is still considered to have a healthy and well-established fiber business, which is growing steadily as the fiber network expands on commercial terms.

Operating risk

The company has not assumed any special risks beyond those that are normal for the industry.

Management's review

Targets and expectations for the year ahead

In 2024, the company expects a positive development in the level of activity but will be affected by higher operating- and interest costs. The expectation of earnings before interest and tax (EBIT) is between DKK 240 million and DKK 270 million DKK for the coming year. Result before tax is expected at the level between DKK -70 million to DKK -100 million for the coming year.

Statement of corporate social responsibility

Reference is made to the statement of social responsibility, which is included in the consolidated accounts for Norlys a.m.b.a., CVR no. 26382645

Statement of gender composition

Equal treatment, diversity and inclusion in Norlys Fibernet

At Norlys Fibernet, we want to have a corporate culture and a working environment where everyone feels welcome, respected and valued. We believe that a diverse working environment creates a better workplace, and we want our employee composition at all levels in the company to reflect the demographics of the surrounding society, including the gender distribution. In recent years, we have had an increased focus on the area and launched a number of initiatives which will move us on the diversity and inclusion agenda, but we also know that we are far from being on target and that we must continue to develop.

Policy for equal treatment, diversity and inclusion

In 2023, Norlys published the first official policy for equal treatment, diversity and inclusion. The policy is integrated into the Policy for good working life in Norlys and applies to all employees. The policy addresses the following areas of action:

Management responsibility: We believe that our managers play a decisive role in developing a diverse, safe and inclusive organization. We want our leaders to lead the way, embrace diversity and have the ability to lead diverse teams.

Inclusive culture: We must work to create an inclusive and inclusive culture that concerns everyone in the organization. Our goal is to create security, counter bias and put diversity and inclusion on the agenda.

Diversity and equality in the workforce: We want to promote diversity so that we can strengthen our company and our working environment, as different perspectives promote innovation and new thinking. When we recruit more broadly, we also gain access to more talent.

Management's review

Status of targets in Norlys Fibernet

The table below illustrates the current gender distribution in the board and management of Norlys Fibernet

Management level	Unit	2023	Target number (%) in 2030*
Board			38/62 (2027)
Total number of members	Number	8	
Gender with lowest representation	%	0%	
Management and division management**			40/60
Total numbers of members	Number	5	
Gender with lowest representation	%	20%	
Managers with personnel responsibility***			40/60
Total number of members	Number	57	
Gender with lowest representation	%	25%	

* Target figure for the underrepresented gender. For the board, targets apply for 2027.
** Management and divisional management represent two levels of management. Cf. §99B reporting requirements, only managers with personnel responsibility are included.
***Voluntary reporting

Norlys Fibernet is still some way from being able to meet the desired targets. The status for 2023 is described below:

Board:

The board currently consists of 0 women and 8 men. The work with equal representation on the board in 2023 has depended on the activities of a.m.b.a. In 2023, Norlys held elections for the board of representatives and for the board of directors for Norlys a.m.b.a. The members of the board of representatives are democratically elected by Norlys' 805,000 shareholders, and it is the elected members of the board of representatives who elect one member from each of the 15 constituencies to the board of Norlys a.m.b.a. Norlys thus does not have full control over the overall gender distribution on the board of Norlys a.m.b.a., which in 2023 will be at 20% women and 80% men. Since 2 members of the board of Norlys Fibernet are elected from the Board of Norlys a.m.b.a., this inequality is reflected in the realized figures for the board's diversity. 3 board positions are also held by our minority owners PGGM and EDF, all of whom are men.

Management and divisional management:

The management consists of 2 members respectively one woman and one man and the other divisional management of 3 men. Here is thus a 20/80 distribution. The target for 2030 of 40/60 has therefore not yet been met.

Managers with personnel responsibility:

Among managers with personnel responsibility, there are 14 women and 43 men. The percentage distribution is thus 25/75. The objective for 2030 of 40/60 has therefore not been met. Recruitment to the division management often takes place from the group "managers with personnel responsibility". At Norlys, we therefore have a special effort to create a more equal gender distribution among this group.

Initiatives in 2023 that support the work with equal treatment, diversity and inclusion.

In 2023, we have started a number of initiatives that will contribute to the work with equal treatment, diversity and inclusion:

- Published Policy for equal treatment, diversity and inclusion.
- Published new target figures for gender distribution at all levels of management.
- Trained and taught management, division management, managers, cooperation committees and employees in unconscious bias, diversity and inclusion.
- Removed the cap on how many days employees can have time off with pay to care for sick children and improved our maternity conditions.
- Set up a working group under Norlys' Cooperation Committee, which has worked with life phases.
- Increased focus on diversity and inclusion in Norlys' recruitment and employer branding efforts.

The work with equal representation on theid board in 2023 has been dependent on the activities of a.m.b.a. In connection with the 2023 board of representatives and board elections, the a.m.b.a. board of directors initiated campaigns in the election process, which were particularly composed with a view to attracting candidates to the board of representatives with variety in diversity on all parameters with a specific focus on women and younger candidates. The election resulted in the board of representatives retaining 14% women.

We are well on our way with several initiatives that will move us on the diversity and inclusion agenda, but we also know that we are far from the goal and that we must continue to develop.

Statement on data ethics

Reference is made to the statement of policy for data ethics, which is included in the consolidated financial statements for Norlys a.m.b.a., CVR no. 26382645.

Uncertainty regarding recognition and measurement

The company's fixed assets are included in the balance sheet at cost price minus depreciation. The valuation of the broadband activity is inherently subject to estimates and uncertainty. The management has carried out an impairment test based on the business plans. The most significant estimates in the impairment test relate to the development in customers, prices of fiber products and earnings per customer.

The impairment test shows that there is no need for impairment.

Unusual events

The financial position at 31 December 2023 of the Company and the results of the activities and cash flows of the Company for the financial year for 2023 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Revenue	1	1,298,396	1,132,134
Work on own account recognised in assets		561,467	425,341
Other operating income		1,430	37
Expenses for raw materials and consumables		-337,457	-293,202
Other external expenses		-382,005	-371,461
Gross profit		**1,141,831**	**892,849**
Staff expenses	2	-426,174	-287,068
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-561,263	-500,312
Profit/loss before financial income and expenses		**154,394**	**105,469**
Financial income	4	59,566	9,504
Financial expenses	5	-332,558	-109,213
Profit/loss before tax		**-118,598**	**5,760**
Tax on profit/loss for the year	6	26,407	4,186
Net profit/loss for the year	7	**-92,191**	**9,946**

Balance sheet 31 December

Assets

	Note	2023	2022
		TDKK	TDKK
Completed development projects		193,557	94,694
Acquired patents		0	0
Acquired other similar rights		131,529	144,202
Goodwill		44,879	67,257
Development projects in progress		61,841	125,733
Intangible assets	8	**431,806**	**431,886**
Land and buildings		1,518	1,093
Plant and machinery		8,917,326	8,005,631
Other fixtures and fittings, tools and equipment		1,670	2,641
Property, plant and equipment in progress		412,663	568,540
Property, plant and equipment	9	**9,333,177**	**8,577,905**
Fixed assets		**9,764,983**	**9,009,791**
Raw materials and consumables		134	3,326
Inventories		**134**	**3,326**
Trade receivables		59,104	31,474
Contract work in progress	10	19,255	48,407
Receivables from group enterprises		683,733	703,864
Receivables from associates		0	388
Other receivables	15	37,808	114,462
Corporation tax		0	935
Prepayments	11	81,923	56,204
Receivables		**881,823**	**955,734**
Cash at bank and in hand		**16,563**	**2,414**
Current assets		**898,520**	**961,474**
Assets		**10,663,503**	**9,971,265**

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TDKK	TDKK
Share capital	12	121,002	121,002
Reserve for development costs		199,210	133,161
Reserve for hedging transactions		-27,530	77,240
Retained earnings		1,912,581	2,070,821
Equity		**2,205,263**	**2,402,224**
Provision for deferred tax	13	104,187	157,855
Provisions		**104,187**	**157,855**
Mortgage loans		7,335,915	6,639,555
Prepayments received from customers		12,251	5,754
Deposits		74	29
Long-term debt	14	**7,348,240**	**6,645,338**
Credit institutions		565,839	194,283
Prepayments received from customers	14	30,603	27,375
Trade payables		132,626	131,126
Payables to group enterprises		123,468	309,766
Other payables	15	151,823	103,183
Deferred income	16	1,454	115
Short-term debt		**1,005,813**	**765,848**
Debt		**8,354,053**	**7,411,186**
Liabilities and equity		**10,663,503**	**9,971,265**
Contingent assets, liabilities and other financial obligations	17		
Related parties	18		
Fee to auditors appointed at the general meeting	19		
Subsequent events	20		
Accounting Policies	21		

Statement of changes in equity

	Share capital	Reserve for development costs	Reserve for hedging transactions	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	121,002	133,161	77,240	2,070,821	2,402,224
Fair value adjustment of hedging instruments, end of year	0	0	-104,770	0	-104,770
Development costs for the year	0	66,049	0	-66,049	0
Net profit/loss for the year	0	0	0	-92,191	-92,191
Equity at 31 December	**121,002**	**199,210**	**-27,530**	**1,912,581**	**2,205,263**

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK

1. Revenue

	2023 TDKK	2022 TDKK
Segments		
Wholesale	1,133,148	923,603
Operators and partners	165,248	208,531
	1,298,396	**1,132,134**

Net sales are on the domestic market.

2. Staff Expenses

	2023 TDKK	2022 TDKK
Wages and salaries	380,795	258,090
Pensions	39,843	24,881
Other social security expenses	5,536	4,097
	426,174	**287,068**
Including remuneration to the Executive Board and Board of Directors:		
Executive board	4,444	2,674
Board of directors	388	81
	4,832	**2,755**
Average number of employees	**662**	**463**

Remuneration for the management is based on an estimate of the time spent by the executive board and the board of directors, as the management is included as a management member in several of the group's companies

The management is part of a 3-year long-term incentive program which is based on the achievement of certain targets. Financial targets relating to Profit before tax and ROIC as well as non-financial targets relating to awareness and speed of green conversion determine the size of the incentive payment.

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
3. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		
Amortisation of intangible assets	58,524	48,928
Depreciation of property, plant and equipment	502,739	451,384
	561,263	**500,312**
Which is specified as follows:		
Amortisation - Completed development projects	20,917	11,587
Amortisation - Acquired other similar rights	22,090	33,586
Amortisation - Goodwill	15,517	3,755
Depreciation - Other fixtures and fittings, tools and equipment	502,739	451,384
	561,263	**500,312**

	2023	2022
	TDKK	TDKK
4. Financial income		
Interest received from group enterprises	33,838	9,500
Other financial income	25,213	4
Exchange gains	515	0
	59,566	**9,504**

	2023	2022
	TDKK	TDKK
5. Financial expenses		
Interest paid to group enterprises	20,846	81,712
Other financial expenses	310,996	24,249
Exchange loss	716	3,252
	332,558	**109,213**

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK

6. Income tax expense

	2023 TDKK	2022 TDKK
Current tax for the year	0	-22,721
Deferred tax for the year	-25,654	18,542
Adjustment of tax concerning previous years	-2,290	-7
Adjustment of deferred tax concerning previous years	1,537	0
	-26,407	**-4,186**

7. Profit allocation

	2023 TDKK	2022 TDKK
Retained earnings	-92,191	9,946
	-92,191	**9,946**

8. Intangible fixed assets

	Completed development projects	Acquired other similar rights	Goodwill	Develop-ment projects in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	126,580	185,394	77,583	125,733
Additions for the year	0	0	0	58,445
Transfers for the year	119,780	2,556	0	-122,337
Cost at 31 December	246,360	187,950	77,583	61,841
Impairment losses and depreciation at 1 January	31,886	41,192	10,326	0
Depreciation for the year	20,917	22,090	15,517	0
Transfers for the year	0	-6,861	6,861	0
Impairment losses and depreciation at 31 December	52,803	56,421	32,704	0
Carrying amount at 31 December	**193,557**	**131,529**	**44,879**	**61,841**

Completed development projects are the development of fiber networks and technology, as well as the development of supporting IT systems. Development projects in progress can be attributed to development projects that relate to the company's IT systems as well as other system development to support the company's strategy.

Notes to the Financial Statements

9. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	1,093	10,505,516	9,032	568,540
Additions for the year	425	76,280	0	1,181,603
Transfers for the year	0	1,337,180	0	-1,337,480
Cost at 31 December	1,518	11,918,976	9,032	412,663
Impairment losses and depreciation at 1 January	0	2,499,882	6,391	0
Depreciation for the year	0	501,768	971	0
Impairment losses and depreciation at 31 December	0	3,001,650	7,362	0
Carrying amount at 31 December	**1,518**	**8,917,326**	**1,670**	**412,663**
Interest expenses recognised as part of cost	0	26,609	0	0

10. Contract work in progress

	2023	2022
	TDKK	TDKK
Selling price of work in progress	19,255	48,529
Payments received on account	0	-122
	19,255	**48,407**
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	19,255	48,407
	19,255	**48,407**

11. Prepayments

Prepayments consist of IT-services.

Notes to the Financial Statements

12. Share capital

The share capital consists of 1,210,020 shares of a nominal value of TDKK 121,002. No shares carry any special rights.

The shares has not been divided into classes.

13. Provision for deferred tax

	2023	2022
	TDKK	TDKK
Deferred tax liabilities at 1 January	157,855	65,499
Net effect from merger and acquisition	0	73,814
Adjustment deferred tax concerning previous year	1,536	0
Amounts recognised in the income statement for the year	-25,654	18,542
Amounts recognised in equity for the year	-29,550	0
Deferred tax liabilities at 31 December	**104,187**	**157,855**

14. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2023	2022
	TDKK	TDKK
Mortgage loans		
After 5 years	5,883,754	6,330,998
Between 1 and 5 years	1,452,161	308,557
Long-term part	7,335,915	6,639,555
Within 1 year	0	0
	7,335,915	**6,639,555**
Prepayments received from customers		
After 5 years	0	0
Between 1 and 5 years	12,251	5,754
Long-term part	12,251	5,754
Other prepayments from customers	30,603	27,375
	42,854	**33,129**

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK

14. Long-term debt

	2023 TDKK	2022 TDKK
Deposits		
After 5 years	0	0
Between 1 and 5 years	74	29
Long-term part	74	29
Within 1 year	0	0
	74	**29**

15. Derivative financial instruments

Derivative financial instruments contracts in the form of interest rate swaps have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	2023 TDKK	2022 TDKK
Assets	0	99,026
Liabilities	35,295	0

Interest rate swap contracts have been entered into hedge future interest payments on floating mortgage loans. The contracts have a term of 60 months. Under the contracts, an interest rate in the CIBOR 3 and 6 is exchanged for a fixed rate of interest of 2.5 %, 2.525%, 2.57%, 2.58%, 3.14%, 3.23%, 3.24% and 3.235% on loans with a principal amount of T.DKK 7,335,915. At the balance sheet date, the fair value of the interest rate swap amounts to T.DKK -35,295.

16. Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

	2023	2022
	TDKK	TDKK

17. Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:		
Land and buildings with a carrying amount of	1,518	1,093
Plant and machinery with a carrying amount of	8,918,996	8,005,631

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Norlys Holding A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

18. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
Norlys a.m.b.a, Silkeborg	Ultimate Parent
Norlys Holding A/S, Silkeborg	Parent Company
Norlys Digital & Tele Holding A/S, Esbjerg	Parent Company
Norlys Fiber Infrastruktur A/S, Silkeborg	Parent Company
Other related parties	

Transactions

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

There have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Norlys a.m.b.a	Tietgensvej 4, 8600 Silkeborg, Denmark

The Group Annual Report of Norlys a.m.b.a may be obtained at the following address:
Tietgensvej 4, 8600 Silkeborg, Denmark

19. Fee to auditors appointed at the general meeting

With reference to §96 subsection of the Danish Financial Statements Act. 3, the fee for the auditor elected by the general meeting is not disclosed. Reference is made to the consolidated financial statements of Norlys a.m.b.a. CVR No. 26 38 26 45.

20. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

21. Accounting policies

The Annual Report of Norlys Fibernet A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Norlys a.m.b.a, the Company has not prepared a cash flow statement.

Recognition and measurement

All expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Notes to the Financial Statements

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in the fair value reserve under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in the fair value reserve under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Segment information on revenue

Information on business segments is based on the Company´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Notes to the Financial Statements

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

• delivery has been made before year end;

• a binding sales agreement has been made;

• the sales price has been determined; and

• payment has been received or may with reasonable certainty be expected to be received.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales as well as office expenses, etc.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Norlys Holding A/S. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet

Intangible fixed assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 5 years, determined on the basis of Management's experience with the individual business areas.

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5-10 year.

Other intangible fixed assets

Patents are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly and indirectly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	5-30 years
Other fixtures and fittings, tools and equipment	5-10 years
Land is not depreciated	0 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Notes to the Financial Statements

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

Financial Highlights

Explanation of financial ratios

Gross margin	Gross profit x 100 / Revenue
Profit margin	Profit/loss of ordinary primary operations x 100 / Revenue
Return on assets	Profit/loss of ordinary primary operations x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity