
Norlys Fibernet A/S

Tietgensvej 4, DK-8600 Silkeborg

Annual Report for 2022

CVR No. 36 42 35 44

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 20/4 2023

Hideo Sawahata
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of Norlys Fibernet A/S for the financial year 1 January - 31 December 2022.

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 2022 of the Company and of the results of the Company operations for 2022.

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

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Silkeborg, 28 March 2023

Executive Board

Torben Poulsen
CEO

Stine Aare Jensen
CFO

Board of Directors

Jesper Barslund Jacobsen
Chairman

Dennis van Alphen
Vice chairman

Malte Larsen

Jess Julin Ibsen

Arvid Thorndahl

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 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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 2022, 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, 28 March 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Michael Groth Hansen

State Authorised Public Accountant

mne33228

Line Borregaard

State Authorised Public Accountant

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: 8th financial year Municipality of reg. office: Silkeborg
Board of Directors	Jesper Barslund Jacobsen, chairman Dennis van Alphen, vice chairman Malte Larsen Jess Julin Ibsen Arvid Thorndahl Gert Vinther Jørgensen Jakobus Maarten Alfrink Alexandre Edouard Jean Pieyre
Executive board	Torben Poulsen Stine Aare Jensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 8000 Aarhus C

Financial Highlights

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

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	1,132,134	906,046	856,558	707,614	700,555
Gross profit/loss	892,849	401,481	340,318	358,521	352,143
Profit/loss of ordinary primary operations	105,432	-36,400	-87,753	-22,545	11,542
Profit/loss before financial income and expenses	105,469	-36,044	-87,753	-22,545	11,542
Profit/loss of financial income and expenses	-99,709	-22,940	-16,544	-21,781	71,925
Net profit/loss	9,946	-45,831	-80,306	-30,855	77,295
Balance sheet					
Balance sheet total	9,962,588	3,739,352	3,563,194	3,140,238	2,932,778
Investment in property, plant and equipment	1,409,524	488,370	528,768	348,122	289,279
Equity	2,402,224	893,351	939,182	1,019,488	1,050,343
Ratios					
Gross margin	78.9%	44.3%	39.7%	50.7%	50.3%
Profit margin	9.3%	-4.0%	-10.2%	-3.2%	1.6%
Return on assets	1.1%	-1.0%	-2.5%	-0.7%	0.4%
Solvency ratio	24.1%	23.9%	26.4%	32.5%	35.8%
Return on equity	0.6%	-5.0%	-8.2%	-3.0%	14.7%

The amounts and numbers disclosed for 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.

In 2022, the company has rolled out fiber to 100,482 new addresses and has a fiber coverage of approximately 92% in Norlys' entire electricity supply area.

The company's fiber network is Denmark'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 of the development activities, we have managed to keep the operations stable and meet the delivery times for new fiber installations in 2022.

Development in the year

The income statement of the Company for 2022 shows a profit of TDKK 9,946, and at 31 December 2022 the balance sheet of the Company shows positive equity of TDKK 2,402,224.

The company establishes, operates, maintains and supports fiber networks in large parts of the Norlys supply area and has cooperation agreements with, among others, Nord Energi and RAH Fiberbredbånd.

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 2022 there has been major development in the company. On 31st of May 2022 Stofa digital was segregated from Stofa Fibernet A/S and a merger of Stofa Fibernet A/S, SE Fiber A/S and Verdo Tele A/S was made retroactively to the 1st of January 2022. The ongoing company is renamed as Norlys Fibernet A/S.

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

The company's result for 2022 shows a net profit of DKK 5,7 million against the expected DKK 40 million, and the company's balance as of 31 December 2022 shows equity of DKK 2,402 million.

The company has a healthy and well-established fiber business, which is growing steadily as the fiber network expands on commercial terms.

Operating risks

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

Targets and expectations for the year ahead

In 2023, the company expects a positive development in the level of activity, but will be affected by higher operating- and interest costs. The expectation of earning before interest and tax (EBIT) is between DKK 200 million and DKK 230 million. DKK for the coming year. Result before tax is expected at the level between DKK -20 million to DKK -50 million for the coming year.

Management's review

Statement of corporate social responsibility

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

Statement on gender composition

Reference is made to the explanation of the underrepresented gender, which is included in the consolidated accounts of Norlys amba, CVR no. 26382645.

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 amba, CVR no. 26 38 26 45.

Uncertainty relating to 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 2022 of the Company and the results of the activities and cash flows of the Company for the financial year for 2022 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	2022	2021
		TDKK	TDKK
Revenue	1	1,132,134	906,046
Work on own account recognised in assets		156,613	157,455
Other operating income		37	356
Expenses for raw materials and consumables		-293,202	-364,103
Other external expenses		-102,733	-298,273
Gross profit		892,849	401,481
Staff expenses	2	-287,068	-195,122
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-500,312	-242,403
Profit/loss before financial income and expenses		105,469	-36,044
Financial income	4	9,504	0
Financial expenses	5	-109,213	-22,940
Profit/loss before tax		5,760	-58,984
Tax on profit/loss for the year	6	4,186	13,153
Net profit/loss for the year	7	9,946	-45,831

Balance sheet 31 December

Assets

	Note	2022 TDKK	2021 TDKK
Completed development projects		94,694	87,179
Acquired other similar rights		144,202	5,700
Goodwill		67,257	26,875
Development projects in progress		125,733	85,688
Intangible assets	8	431,886	205,442
Land and buildings		1,093	0
Plant and machinery		8,005,631	3,195,851
Other fixtures and fittings, tools and equipment		2,641	773
Property, plant and equipment in progress		568,540	146,309
Property, plant and equipment	9	8,577,905	3,342,933
Fixed assets		9,009,791	3,548,375
Raw materials and consumables		3,326	57,793
Inventories		3,326	57,793
Trade receivables		31,474	22,019
Contract work in progress	10	48,407	142
Receivables from group enterprises		703,864	49,735
Receivables from associates		388	0
Other receivables	11	114,462	20,578
Corporation tax		935	36,503
Prepayments	12	47,527	382
Receivables		947,057	129,359
Cash at bank and in hand		2,414	3,825
Current assets		952,797	190,977
Assets		9,962,588	3,739,352

Balance sheet 31 December

Liabilities and equity

	Note	2022	2021
		TDKK	TDKK
Share capital	13	121,002	121,000
Reserve for development costs		133,161	131,799
Reserve for hedging transactions		77,240	0
Retained earnings		2,070,821	640,552
Equity		2,402,224	893,351
Provision for deferred tax	14	157,855	65,499
Provisions		157,855	65,499
Mortgage loans		6,639,555	0
Prepayments received from customers		5,754	18,455
Deposits		29	0
Long-term debt	15	6,645,338	18,455
Subordinate loan capital		0	2,381
Credit institutions		194,283	0
Prepayments received from customers		27,375	0
Trade payables		131,384	105,380
Payables to group enterprises		309,766	2,619,802
Other payables	11	94,248	34,369
Deferred income		115	115
Short-term debt		757,171	2,762,047
Debt		7,402,509	2,780,502
Liabilities and equity		9,962,588	3,739,352
Contingent assets, liabilities and other financial obligations	16		
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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	121,000	131,799	0	640,552	893,351
Net effect from merger and acquisition under the uniting of interests method	2	6,370	0	1,377,875	1,384,247
Net effect from demerger and business sale under the uniting of interests method	0	0	0	37,440	37,440
Adjusted equity at 1 January	121,002	138,169	0	2,055,867	2,315,038
Fair value adjustment of hedging instruments, end of year	0	0	99,026	0	99,026
Tax on adjustment of hedging instruments for the year	0	0	-21,786	0	-21,786
Development costs for the year	0	-4,564	0	5,008	444
Depreciation, amortisation and impairment for the year	0	-444	0	0	-444
Net profit/loss for the year	0	0	0	9,946	9,946
Equity at 31 December	121,002	133,161	77,240	2,070,821	2,402,224

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
1. Revenue		
Segments		
Services and operator services	0	592,854
Fiberproducts	0	0
Wholesale	923,603	178,521
Operators and partners	208,531	134,671
	<u>1,132,134</u>	<u>906,046</u>
	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
2. Staff Expenses		
Wages and salaries	258,090	174,221
Pensions	24,881	17,827
Other social security expenses	4,097	3,074
	<u>287,068</u>	<u>195,122</u>
Including remuneration to the Executive Board and Board of Directors:		
Executive board	2,674	1,390
Board of directors	81	150
	<u>2,755</u>	<u>1,540</u>
Average number of employees	<u>463</u>	<u>351</u>

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.

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK
3. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		
Amortisation of intangible assets	48,928	33,778
Depreciation of property, plant and equipment	451,384	208,625
	<u>500,312</u>	<u>242,403</u>

Which is specified as follows:

Amortisation - Completed development projects	11,587	33,710
Amortisation - Acquired other similar rights	33,586	68
Amortisation - Goodwill	3,755	0
Depreciation - Other fixtures and fittings, tools and equipment	451,384	208,625
	<u>500,312</u>	<u>242,403</u>

	2022	2021
	TDKK	TDKK
4. Financial income		
Interest received from group enterprises	9,500	0
Other financial income	4	0
	<u>9,504</u>	<u>0</u>

	2022	2021
	TDKK	TDKK
5. Financial expenses		
Interest paid to group enterprises	81,712	15,720
Other financial expenses	24,249	6,145
Exchange loss	3,252	1,075
	<u>109,213</u>	<u>22,940</u>

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK
6. Income tax expense		
Current tax for the year	-22,721	-36,503
Adjustment of tax concerning previous years	-7	-181
Adjustment of deferred tax concerning previous years	18,542	23,531
	-4,186	-13,153

	2022	2021
	TDKK	TDKK
7. Profit allocation		
Retained earnings	9,946	-45,831
	9,946	-45,831

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	114,970	13,932	100,846	85,687
Net effect from merger and acquisition	16,695	167,427	18,774	297
Net effect from demerger and business sale	-28,146	-7,392	-100,846	-2,364
Additions for the year	0	9,913	58,809	66,688
Transfers for the year	23,061	1,514	0	-24,575
Cost at 31 December	126,580	185,394	77,583	125,733
Impairment losses and amortisation at 1 January	28,535	8,232	80,543	0
Net effect from merger and acquisition	2,497	2,913	0	0
Net effect from demerger and business sale	-9,219	-4,308	-73,972	0
Amortisation for the year	11,587	32,841	3,755	0
Transfers for the year	-1,514	1,514	0	0
Impairment losses and amortisation at 31 December	31,886	41,192	10,326	0
Carrying amount at 31 December	94,694	144,202	67,257	125,733

Notes to the Financial Statements

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.

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	0	4,692,340	6,428	146,309
Net effect from merger and acquisition	143	4,859,438	125	194,013
Net effect from demerger and business sale	0	-210,510	0	-13,186
Additions for the year	950	0	2,923	1,405,650
Disposals for the year	0	0	-444	0
Transfers for the year	0	1,164,246	0	-1,164,246
Cost at 31 December	1,093	10,505,514	9,032	568,540
Impairment losses and depreciation at 1 January	0	1,495,760	5,656	0
Net effect from merger and acquisition	0	694,245	12	0
Net effect from demerger and business sale	0	-131,600	0	0
Depreciation for the year	0	441,478	1,167	0
Reversal of impairment and depreciation of sold assets	0	0	-444	0
Impairment losses and depreciation at 31 December	0	2,499,883	6,391	0
Carrying amount at 31 December	1,093	8,005,631	2,641	568,540

10. Contract work in progress

	2022 TDKK	2021 TDKK
Selling price of work in progress	48,529	142
Payments received on account	-122	0
	48,407	142
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	48,407	142
	48,407	142

Notes to the Financial Statements

11. 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:

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
Assets	99,026	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 %, 2,57%, 2,58% and 2,525% on loans with a principal amount of T.DKK 6,639,555. At the balance sheet date, the fair value of the interest rate swap amounts to T.DKK 99,026.

12. Prepayments

Prepayments consist of IT-services.

13. Share capital

The share capital consists of 1,210,002 shares of a nominal value of TDKK 121,002,000. No shares carry any special rights.

The shares has not been divided into classes.

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
14. Provision for deferred tax		
Deferred tax liabilities at 1 January	65,499	0
Net effect from merger and acquisition	73,814	
Amounts recognised in the income statement for the year	18,542	0
Amounts recognised in equity for the year	<u>0</u>	<u>65,499</u>
Deferred tax liabilities at 31 December	<u>157,855</u>	<u>65,499</u>

Notes to the Financial Statements

15. 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:

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
Mortgage loans		
After 5 years	6,330,998	0
Between 1 and 5 years	308,557	0
Long-term part	<u>6,639,555</u>	<u>0</u>
Within 1 year	<u>0</u>	<u>0</u>
	<u>6,639,555</u>	<u>0</u>
Prepayments received from customers		
After 5 years	0	0
Between 1 and 5 years	5,754	18,455
Long-term part	<u>5,754</u>	<u>18,455</u>
Within 1 year	0	0
	27,375	0
<i>Other prepayments from customers</i>		
Short-term part	<u>27,375</u>	<u>0</u>
	<u>33,129</u>	<u>18,455</u>
Deposits		
After 5 years	0	0
Between 1 and 5 years	29	0
Long-term part	<u>29</u>	<u>0</u>
Within 1 year	0	0
Other deposits	0	0
Short-term part	<u>0</u>	<u>0</u>
	<u>29</u>	<u>0</u>

Notes to the Financial Statements

2022	2021
TDKK	TDKK

16. 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	1,093	0
Plant and machinery with a carrying amount of	8,005,631	0

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

17. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
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	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.

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Norlys Fiber Infrastruktur A/S.

Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
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

18. Subsequent events

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

Notes to the Financial Statements

19. Accounting policies

The Annual Report of Norlys Fibernet A/S for 2022 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 2022 are presented in TDKK.

Norlys Fibernet A/S is from the 1 January 2022 merged with SE Fibernet A/S (CVR No. 34491550) and Verdo Tele A/S (CVR No. 2559517) with Norlys Fibernet A/S as the continuing company. The merger has been accounted for according to the uniting of interests method (book value method), and as a result no adjustment has been made to the comparative figures for 2021. Norlys Fibernet A/S is from 1 January 2022 demerged with digital activities passed to Stofa A/S (CVR No. 42405310). The demerger has been accounted for according to the uniting of interests method (book value method), and as a result no adjustment has been made to the comparative figures for 2021.

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

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, 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. Gains and losses 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.

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.

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.

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.

Income statement

Net sales

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.

Notes to the Financial Statements

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. The item is net of refunds made by public authorities.

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.

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).

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

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.

Notes to the Financial Statements

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 debts

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.

Financial Highlights

Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit before financials} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit before financials} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$