

GLOBALCONNECT A/S
HØRSKÆTTEN 3, 2630 TAASTRUP
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2016

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 28 February 2017**

Chairman of the meeting

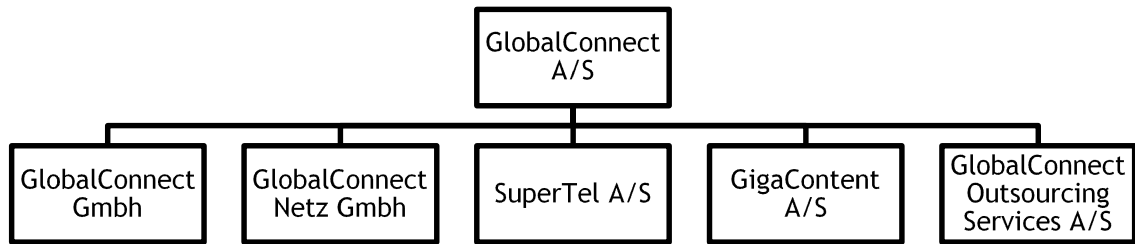
CONTENTS

	Page
Company Details	
Company Details.....	3
Group Structure.....	4
Statement and Report	
Statement by Board of Directors and Board of Executives.....	5
Independent Auditor's Report.....	6-8
Management's Review	
Financial Highlights of the Group.....	9
Management's Review.....	10-14
Consolidated and Parent Company Financial Statements 1 January - 31 December	
Income Statement.....	15
Balance Sheet.....	16-17
Equity.....	18-19
Cash Flow Statement.....	20
Notes.....	21-33
Accounting Policies.....	34-39

COMPANY DETAILS

Company	GlobalConnect A/S Hørskættø 3 2630 Taastrup
	CVR no.: 26 75 97 22
	Established: 1 January 1998
	Registered Office: Taastrup
	Financial Year: 1 January - 31 December
Board of Directors	Niels Zibrandtsen, Chairman
	Niels Ravn
	Lisbeth Zibrandtsen
	Michael Allen Potter
	Ole Hvelplund
Board of Executives	Olaf Fritjof Lind
	Christian Holm Christensen, CEO
	Pernille S. Ravn, Director
	Thomas Norling Kielgast, Director
Auditor	BDO Statsautoriseret revisionsaktieselskab
	Havneholmen 29
	1561 Copenhagen V
Bank	Sydbank A/S
	Peberlyk 4, Postboks 1038
	6200 Aabenraa

GROUP STRUCTURE



STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of GlobalConnect A/S for the year 1 January - 31 December 2016.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Company's financial position at 31 December 2016 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2016.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend the Annual Report be approved at the Annual General Meeting.

Taastrup, 27 February 2017

Board of Executives

Christian Holm Christensen
CEO

Pernille S. Ravn
Director

Thomas Norling Kielgast
Director

Board of Directors

Niels Zibrandtsen
Chairman

Niels Ravn

Lisbeth Zibrandtsen

Michael Allen Potter

Ole Hvelplund

Olaf Fritjof Lind

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GlobalConnect A/S

Opinion

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of GlobalConnect A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity, cash flows, notes and a summary of significant accounting policies for both the Group and the Parent Company. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the assets, liabilities and financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group and the Parent Company operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Parent Company Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements and the Parent Company Financial Statements, Management is responsible for assessing the Group's and the Parent 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 Consolidated Financial Statements and the Parent Company Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

INDEPENDENT AUDITOR'S REPORT

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent 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 Consolidated Financial Statements and the Parent Company 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 Group's and the Parent 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 Consolidated Financial Statements and the Parent Company 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Consolidated Financial Statements and the Parent Company Financial Statements, including the disclosures, and whether the Consolidated Financial Statements and the Parent Company Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

INDEPENDENT AUDITOR'S REPORT

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements and the Parent Company 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, we conclude that Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management's Review.

Copenhagen, 27 February 2017

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Torben Bjerre-Poulsen
State Authorised Public Accountant

FINANCIAL HIGHLIGHTS OF THE GROUP

	2016 mDKK	2015 mDKK	2014 mDKK	2013 mDKK	2012 mDKK
Income statement					
Net revenue.....	607	537	477	502	433
Gross profit/loss.....	379	339	296	316	250
Result before depreciation (EBITDA).....	230	205	189	189	186
Operating profit (EBIT).....	100	92	65	83	45
Financial income and expenses, net.....	-48	-48	-39	-24	-14
Profit for the year.....	38	34	24	64	22
Balance sheet					
Balance sheet total.....	2.067	2.013	1.976	1.828	1.675
Equity.....	619	591	567	566	524
Equity incl. minority interests.....	619	593	567	566	524
Cash flows					
Cash flows from operating activities.....	121	-99	313	106	78
Cash flows from investment-related activities.....	-160	-152	-176	-226	-183
Cash flows from financing activities.....	32	162	-43	131	102
Total cash flows.....	-7	-89	94	11	-3
Investment in tangible fixed assets.....	-142	-133	-162	-208	-180
Ratios					
Gross margin.....	62,5	63,2	62,1	62,8	57,8
Profit margin.....	16,6	17,1	13,6	16,5	10,3
Rate of return.....	4,9	4,6	3,4	4,7	2,8
Solvency ratio.....	29,9	29,5	28,7	31,0	31,3
Return on equity.....	8,6	7,6	4,6	10,7	5,9

The ratios stated in the list of key figures and ratios have been calculated as follows:

Gross margin:

$$\frac{\text{Gross profit} \times 100}{\text{Net revenue}}$$

Profit margin:

$$\frac{\text{Operating profit} \times 100}{\text{Net revenue}}$$

Rate of return:

$$\frac{\text{Operating profit} \times 100}{\text{Average balance sheet total}}$$

Solvency ratio:

$$\frac{\text{Equity, at year end} \times 100}{\text{Assets, at year end}}$$

Return on equity:

$$\frac{\text{Profit before tax} \times 100}{\text{Average equity}}$$

The ratios follow in all material respects the recommendations of the Danish Finance Society.

MANAGEMENT'S REVIEW

Main activities

GlobalConnect A/S is an independent fibre infrastructure based service provider, offering efficient and secure data networking, data centre solutions and cloud services. The digitisation and requirement for efficient communication within companies, the public sector and the state adds value for all in the society - and GlobalConnect A/S benefits from this fast growing trend. GlobalConnect A/S covers all of Denmark, Northern Germany and parts of Sweden with more than 15,000 km of high-speed optical fibre network and 13,000 m2 data centres. GlobalConnect A/S also acts as turnkey supplier of international lines and services via collaborating with other telecommunication operators outside the company's area of own coverage.

Development in activities and financial position

The 2016 financial year has been another successful year for GlobalConnect A/S with growth in both revenue and EBITDA. During 2016, GlobalConnect A/S has had a positive customer order intake in direct B2B sales in both Denmark and Germany as well as in GlobalConnect A/S' wholesale business. Combined with a positive cash flow for the year, the overall 2016 performance is the best in the history of GlobalConnect A/S.

For the fibre-based part of GlobalConnect A/S, 2016 was a year that saw significant growth. Part of the growth was linked to the expansion of the German fibre based network, which has been ongoing for some years. GlobalConnect A/S believes that this positive trend will continue during 2017, as more and more of the German infrastructure will come into active operation.

The German market is a highly important market for GlobalConnect A/S, and from a commercial, demographical and geographical point of view even more attractive than the Danish market. During 2016, the strategy of including direct B2B customers in the German network has been in progress, which has resulted in a positive customer intake. As far as the wholesale business is concerned, the German market is opening up again after a period of low activity. The wholesale market in Germany has been affected by consolidation where potential customers aligned strategically and integrated their operations. The market is picking up again and the number of orders closed during the second half of 2016 provides optimism for our performance in 2017.

In late 2016, GlobalConnect A/S was able to enter into an agreement that ensures the Group's fibre capability in the Helsinki area and, through a sea cable agreement, also in the Baltics and Poland. The agreements are part of a strategy where GlobalConnect A/S aims to ensure capability to transport more data via alternative routes towards the East. We believe this strategy will positively affect GlobalConnect A/S from 2018 and onwards.

On the B2B side, the rise in order intake has been significant in the service part of the business where especially the GlobalConnect Cloud business is experiencing marked growth. Growth is adamant in both infrastructure as well as the service based subscription business. GlobalConnect A/S sees the order intake in the Cloud business as significant. The Management is very pleased with the amount of Cloud orders in 2016 and thus very optimistic as for performance in 2017.

In 2016, the Group also saw increasing demand for GlobalConnect A/S' security products in addition to infrastructure services. Hence, investments into creating a new business unit focusing entirely on security products started in Q4 2016. GlobalConnect A/S already offers security products such as DDos protection and firewalls. However, with the new business unit, fully focussed and equipped solely for security services, the number of products will increase significantly. This will also contribute positively to GlobalConnect A/S' growth.

Another exciting development in the Danish market, and also part of the explanation for the increased order intake in sales, is the fact that Denmark is increasingly successful in attracting large data centres. While data centres themselves do not necessarily place orders with GlobalConnect A/S, the fact that they are located here generates more data traffic. This positively effects GlobalConnect A/S, and we expect that it will continue to have a positive effect on GlobalConnect A/S' business for the years to come.

MANAGEMENT'S REVIEW

Development in activities and financial position (continued)

GlobalConnect A/S remains the largest open data centre operator in Denmark and we expect a further expansion of data centre capacity during 2017, both in Denmark and in Germany.

During late December 2016, a significant event occurred for GlobalConnect A/S as EQT and GlobalConnect A/S' shareholders signed a sale and purchase agreement, according to which EQT will take over a majority of shares in GlobalConnect A/S. Zibra will continue as a shareholder, but it will no longer be a majority shareholder in GlobalConnect A/S. The deal is pending closure, which is expected during Q1 2017.

During the past year, GlobalConnect A/S has continued the work of implementing additional customers on the various network and service platforms already in operation. GlobalConnect A/S has initiated further efficiency programmes, refined and extended already implemented enterprise resource planning systems. These developments have provided Management with new business intelligence tools and automatized an increasing number of processes in GlobalConnect A/S. During 2016, focus has also been on improving customer experience, resulting in higher customer satisfaction in day-to-day operations.

GlobalConnect A/S believes that the rapid growth for data capacity in Denmark will lead to an increased expansion of high-capacity fibre-based network solutions. During 2016, GlobalConnect A/S further implemented 100 Gbit interfaces in the network to offload the backbone. As a future trend, GlobalConnect A/S expects that 10 Gbit/s services will become the de facto standard for B2B customers in the years to come. As GlobalConnect A/S owns and operates its own "thick" fibre infrastructure, GlobalConnect A/S is perfectly suited to satisfy customer demands for more bandwidth.

Profit/loss for the year compared to expectations

The Group's net revenue was mDKK 607 (2015: mDKK 537) and EBITDA mDKK 230 (2015: mDKK 205). Capital expenditures reached mDKK 185 (2015: mDKK 149).

The GlobalConnect Group presents earnings before tax (EBT) of mDKK 52 (2015: mDKK 44), net earnings after tax of mDKK 38 (2015: mDKK 34) while the Group's equity amounts to mDKK 619.

The Group's 2016 performance lives up to expectations, as set out in the Management Review of the Annual Report 2015, and is considered satisfactory by both Board and Management.

We expect GlobalConnect A/S' growth to continue due to the increased demand for value-added services, cloud services, security solutions and outsourcing. Furthermore, the exponential growth in bandwidth demands as well as the demand for data centre services create continued optimism for further growth. Growth in revenue and EBITDA is expected, despite the fact that the markets in which GlobalConnect A/S operates are subject to price and earnings pressure, as they become increasingly commodity oriented. Hence, the development of new products in GlobalConnect A/S' focuses on value added services, where GlobalConnect A/S' strong infrastructure base can be utilised even further.

GlobalConnect A/S has been working intensely for the past four years towards creating an understanding of the importance of new financial instruments in order to increase investments in the telecommunication market. During 2016, GlobalConnect A/S saw an increasing understanding of the potential of mortgage financing. This resulted in legislation being passed in Q4 2016, which allows mortgage financing in Denmark from January 2017. In our view, this development is an example of visionary legislation enabling the expansion of infrastructure in areas of Denmark with limited short-term commercial return on investment. GlobalConnect A/S strongly supports this development, as it will bring the Danish telecommunication infrastructure and the spun-off innovation back in the European top 10. GlobalConnect A/S expects to apply for mortgage financing with a Danish mortgage financing institution sometime during 2017.

MANAGEMENT'S REVIEW

Significant events after the end of the financial year

No events have occurred from the balance sheet date until the date of signature that could change the assessment of the Company's financial position.

Because of the sales and purchase agreement between EQT and GlobalConnect A/S' shareholders, ordinary closing activities have been carried out, and closing is expected during Q1 2017.

As part of a refinancing plan for the Group, GlobalConnect A/S has announced successful solicitation consents from bondholders regarding certain amendments to the bond agreement, which will permit an early redemption of the bonds. The redemption of bonds is expected to occur before 1 April 2017.

Special risks

The price level of GlobalConnect A/S' products is based on supply and demand on the Danish and international telecommunications and data market and is not exposed to particular price-related risks. The majority of all contracts cover a longer period of time than a single financial year.

The main part of GlobalConnect A/S' activities is settled in Danish currency (DKK), but due to activities abroad, the Company's performance, cash flow and equity are to some extent influenced by exchange and interest rate developments of the euro. - It is GlobalConnect A/S' policy only to hedge commercial currency risks. This is primarily done by forward exchange transactions to hedge expected turnover and purchases within the next 12 months.

GlobalConnect A/S is funded mainly through equity, prepayments from customers and a combination of corporate bonds and bank financing. Interest risks on interest-bearing debt are partly hedged by swap arrangements.

Environmental situation

GlobalConnect A/S is working on optimising its energy consumption in order to contribute to the reduction of global CO2 emissions. Such efforts could be strengthened further through easier conditions for the supply of surplus heat to district heating systems as part of the GlobalConnect Group's overall Community Social Responsibility work (CSR). GlobalConnect A/S is optimistic regarding the reuse of heat from cooling systems as Apple in 2015 announced that it is locating a major data centre in Denmark because of the possibility for the reuse of heat from the cooling systems. Hence, GlobalConnect A/S expects that this will become the general standard in Denmark for all players in the data centre market in order to avoid unbalanced competition and that legislation will be adjusted accordingly.

Research and development activities

GlobalConnect A/S aims to apply the newest technologies and is interested in encouraging investments in the next generation of the IKT community through active participation in selected professional and industrial bodies and boards. GlobalConnect A/S works together with research institutions and development companies in order to support the development of disciplines within the telecommunications and knowledge industry. Among other things, this work has led to cooperation with a number of foreign companies to intensify knowledge development and general interest in innovation in Denmark.

Future expectations

GlobalConnect A/S continuously aims to secure and develop its market position through controlled growth based on an increased focus on processes and improvement of operational efficiency. Such measures are expected to increase profitability and strengthen the group's competitiveness. In the GlobalConnect Group, we are continuously working to increase the range of products and services in order to improve customer satisfaction. Furthermore, an expansion of data centre facilities is expected in order to meet the increasing demand. In Germany, we will use the recent acquisitions to further improve the infrastructure in Mecklenburg-Vorpommern and Schleswig-Holstein and to increase our focus on the B2B market.

GlobalConnect A/S will continue to improve the support and product portfolio for our partners with an aim to improving their competitive edge.

MANAGEMENT'S REVIEW

Own shares

	2016 DKK '000	2015 DKK '000
Own shares comprises of:		
A-shares, 216.788 in the denomination of 1 DKK.....	216.788	216.788
	216.788	216.788
Own shares in % of share capital:		
GlobalConnect A/S.....	8,5	8,5
	8,5	8,5

Corporate social responsibility

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

As of 31 December 2016, the Group had 226 employees. GlobalConnect A/S outsources all digging activities and thus we are instrumental in creating a significant number of jobs with subcontractors due to our continued strong infrastructure expansion.

All decisions regarding employment, promotion, dismissal, wages and other working conditions are based on relevant and objective criteria.

Our vision is to develop nationwide coverage of fibre infrastructure in Denmark and regional coverage in Germany to offer data communication for all individuals close to our infrastructure.

We want to meet the market as the preferred alternative supplier of network services in the field of telecom and data communication in Northern Europe. Therefore, it is natural for us to involve ourselves in society and the way in which it functions. It is important for us that our surroundings see GlobalConnect A/S as a socially responsible and committed company. We are working on improving Community Social Responsibility contrary to Corporate Social Responsibility, so that national government, the public sector and private companies increase their joint efforts to create a better society.

Our policies and reporting within this area are based on UN's Global Compact's ten principles within the areas of human rights, labour (rights), environment and anti-corruption.

We contribute to a cleaner technology and more efficient energy consumption in society through the provision of our products and services. At the same time, we are reducing our own CO2 emissions as well as other environmental impacts of the GlobalConnect Group. Purchasing products under appropriate and safe conditions and safeguarding that they are being disposed of in an environmentally sound way contribute further to this aim.

GlobalConnect A/S wants to be known as a company that focuses on skilful leadership, employee satisfaction, motivation and a sound environment while at the same time we develop the competences of our employees, in order for them to make a difference by their personal commitment and diversity. Furthermore, our staff policy encompasses rules against corruption, prohibition of child labour and compulsory labour as well as non-discrimination vis-a-vis gender, age and ethnic background.

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

In 2016, the level of "long term fit" employees at GlobalConnect A/S was 97%, seen as the number of absent days in GlobalConnect A/S due to illness divided by the total amount of workdays in a year. The long term fitness rate in GlobalConnect A/S is well above the Danish national average and is considered satisfactory, but it will remain a focus area for GlobalConnect A/S in the future.

GlobalConnect A/S has formed a workplace environment committee with representatives from Management as well as employees. The committee deals with relevant environment-oriented matters in order to secure a continuously optimal working environment for the daily work carried out by the employees. GlobalConnect A/S also focuses on the health of our employees. The aim is to keep our employees fit and healthy and to create an environment where the employees are aware of the well-being and long-term health status of their colleagues. We offer exercise facilities to employees in our offices in Denmark and Germany. Moreover, we have an active staff association, focus on healthy food and we are offering an attractive pension scheme and health insurance for employees. Furthermore, GlobalConnect A/S lists demands for suppliers as far as health, safety and work environment are concerned.

GlobalConnect A/S is continuously working to exert influence on legislators so that environmental economically sound laws overrule the economically inexpedient laws within the boundaries of Community Social Responsibility. GlobalConnect A/S considers cooperation between the public sector and the industry very important and is therefore actively seeking to promote such partnerships.

In 2016, GlobalConnect A/S was a member of an initiative, Code Camps, to bring more understanding of technology into Danish secondary schools (age 12-16). The project started up in 2016 and involves the City of Copenhagen, the Ministry for Children, Education and Gender Equality together with other private IT companies and the Danish IT Industry Association.

GlobalConnect A/S also supports "Geeks without Frontiers", an independent non-profit organisation, in expanding telecommunication coverage in developing countries through the initiatives DigOnce and VillageConnect.

Target figures and policies for the underrepresented gender

As part of the GlobalConnect A/S business model, GlobalConnect A/S operates an organisation based on so-called Cloud Management where tasks and management change rapidly based on projects executed in dedicated satellites. GlobalConnect A/S aims at having as equal representation as possible, regardless of gender, ethnic background, citizenship, physical abilities etc., thus counteracting any discrimination. GlobalConnect A/S applies equal treatment of gender in our organisation. However, when recruiting, GlobalConnect A/S has to take into account the special skills required in a technical oriented organisation in order to secure the best-qualified resources for the company. Now, 33% of GlobalConnect A/S' top management are women. 16% of the members of GlobalConnect A/S' Board of Directors are women and 16% are members with non-EU citizenship.

GlobalConnect A/S aims, at any time, to have positions filled by the best-qualified persons, irrespective of gender, ethnic background, citizenship, physical abilities etc. Representation is linked to qualifications. We aim at making sure that any position may be applied for on equal terms.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

		Group		Parent company	
	Note	2016	2015	2016	2015
		DKK '000	DKK '000	DKK '000	DKK '000
NET REVENUE	1	606.794	536.862	512.228	481.054
Production costs.....		-165.777	-137.685	-182.195	-157.237
Other operating income.....		384	2.664	70	75
Other external costs.....	2	-62.265	-62.802	-46.210	-46.834
GROSS PROFIT		379.136	339.039	283.893	277.058
Staff costs.....	3	-149.431	-133.678	-96.642	-102.493
EBITDA		229.705	205.361	187.251	174.565
Depreciation, amortisation and write-down.....		-127.156	-113.369	-97.456	-92.541
Other operating costs.....		-2.073	-3	-1.264	-3
OPERATING PROFIT		100.476	91.989	88.531	82.021
Income from investments in subsidiaries.....	4	0	0	6.124	5.657
Other financial income.....	5	10.984	11.349	12.592	12.878
Other financial costs.....	6	-59.085	-59.107	-58.090	-58.376
PROFIT BEFORE TAX		52.375	44.231	49.157	42.180
Tax.....	7	-13.991	-9.972	-8.521	-7.588
PROFIT FOR THE YEAR	8	38.384	34.259	40.636	34.592

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	Group		Parent company	
		2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
Development cost.....		12.504	12.991	12.504	12.991
Prepayments regarding rights to use and licenses.....		13.427	13.226	7.801	10.909
Consolidated goodwill.....		26.000	19.432	0	0
Intangible fixed assets.....	9	51.931	45.649	20.305	23.900
Land & buildings.....		26.428	27.900	24.071	25.534
Tangible assets under construction		50.977	37.056	17.653	10.325
Other fixtures and equipment.....		243.947	223.538	187.099	194.600
Leasehold improvements.....		4.725	5.714	1.788	2.362
Facility housing.....		117.032	122.933	114.406	119.612
Fibre/ducts.....		1.193.017	1.195.211	913.017	897.080
Tangible fixed assets.....	10	1.636.126	1.612.352	1.258.034	1.249.513
Investments in subsidiaries.....		0	0	329.676	312.470
Deposits.....		5.307	5.116	4.013	3.944
Receivables regarding financial leases.....		64.359	67.007	28.311	32.194
Fixed asset investments.....	11	69.666	72.123	362.000	348.608
FIXED ASSETS.....		1.757.723	1.730.124	1.640.339	1.622.021
Inventories.....		31.314	26.707	29.360	25.463
Inventories.....		31.314	26.707	29.360	25.463
Trade receivables.....		216.327	157.751	168.843	125.364
Amounts due from group companies.....		13.890	35.839	289.254	144.953
Other receivables.....		8.822	20.218	8.297	15.681
Income tax receivable.....		0	1.560	0	0
Prepayments & accrued income....	12	28.149	22.828	22.014	17.640
Receivables.....		267.188	238.196	488.408	303.638
Cash and cash equivalents.....		11.263	18.113	1.374	1.055
CURRENT ASSETS.....		309.765	283.016	519.142	330.156
ASSETS.....		2.067.488	2.013.140	2.159.481	1.952.177

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	Group		Parent company	
		2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
Share capital.....	13	2.542	2.542	2.542	2.542
Reserve for revaluations.....		17.088	17.825	17.088	17.825
Reserves for net revaluations under the equity method.....		0	0	21.048	16.017
Reserve for development costs.....		2.334	0	2.334	0
Retained earnings.....		596.890	553.421	575.842	537.404
Proposed dividend for the financial year.....		0	17.250	0	17.250
Minority shareholders.....		-1	2.251	0	0
EQUITY.....		618.853	593.289	618.854	591.038
Provision for deferred tax.....	14	148.804	158.143	155.905	167.436
Other provisions for liabilities.....	15	1.962	2.183	1.962	2.183
PROVISION FOR LIABILITIES.....		150.766	160.326	157.867	169.619
Bonds & bank debt.....		693.988	690.015	693.988	690.015
Derivative financial instruments...		13.096	18.419	13.096	18.419
Prepayments received.....		67.892	88.316	55.682	74.798
Other long-term liabilities.....		59.728	29.829	36.811	28.417
Long-term liabilities.....	16	834.704	826.579	799.577	811.649
Current portion of long-term liabilities.....	16	171.053	131.678	163.865	126.653
Debt to financial institutions.....		3.672	95.772	0	90.000
Prepayments received.....		34.601	20.656	34.268	20.656
Trade payables.....		35.420	23.309	17.877	16.121
Amounts due to group companies..		0	0	193.069	659
Corporate tax.....		3.252	0	0	0
Joint tax contribution payable.....		10.277	5.205	12.661	6.795
Other liabilities.....		81.149	50.421	66.727	35.762
Accruals and deferred income.....	17	123.741	105.905	94.716	83.225
Current liabilities.....		463.165	432.946	583.183	379.871
LIABILITIES.....		1.297.869	1.259.525	1.382.760	1.191.520
EQUITY AND LIABILITIES.....		2.067.488	2.013.140	2.159.481	1.952.177
Contingencies etc.	18				
Charges and securities	19				
Related parties	20				
Significant events after the end of the financial year	21				
Consolidated financial statements	22				

EQUITY

	Group					
	Share capital	Other restricted reserves	Retained earnings	Proposed dividend for the financial year	Minority shareholders	Total
Equity at 1 January 2016.....	2.542	17.825	553.421	17.250	2.251	593.289
Dividend paid				-17.250		-17.250
Dividend own shares.....			1.471			1.471
Foreign exchange adjustments.....			-1.093			-1.093
Reclassification from deferred tax.....			4.052			4.052
Transfers to/from other items.....		1.597	-1.597			
Proposed distribution of profit.....			40.636		-2.252	38.384
Equity at 31 December 2016.....	2.542	19.422	596.890	0	-1	618.853

Specification of other restricted reserves:

	Group		
	Reserve for revaluations	Reserve for development costs	Other restricted reserves total
Equity at 1 January 2016.....	17.825	0	17.825
Transfers to/from other items.....	-737	2.334	1.597
Equity at 31 December 2016.....	17.088	2.334	19.422

EQUITY

	Parent company				Total
	Share capital	Other restricted reserves	Retained earnings	Proposed dividend for the financial year	
Equity at 1 January 2016.....	2.542	33.842	537.404	17.250	591.038
Dividend paid				-17.250	-17.250
Dividend own shares.....			1.471		1.471
Foreign exchange adjustments.....		-1.093			-1.093
Reclassification from deferred tax.....			4.052		4.052
Transfers to/from other items.....		1.597	-1.597		
Proposed distribution of profit.....		6.124	34.512		40.636
Equity at 31 December 2016	2.542	40.470	575.842	0	618.854

Specification of other restricted reserves:

	Parent company			
	Reserve for revaluations	Reserves for net revaluations under the equity method	Reserve for development costs	Other restricted reserves total
Equity at 1 January 2016.....	17.825	16.017	0	33.842
Foreign exchange adjustments.....		-1.093		-1.093
Transfers to/from other items.....	-737		2.334	1.597
Proposed distribution of profit.....		6.124		6.124
Equity at 31 December 2016	17.088	21.048	2.334	40.470

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	Group		Parent company	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
Profit for the year.....	38.384	34.259	40.636	34.592
Reversed depreciation of the year.....	126.216	113.650	97.041	92.626
Change in net present value of non-guaranteed scrap values.....	204	-2.323	204	-2.323
Profit/loss from subsidiaries.....	0	0	-6.124	-5.657
Cost of prepaid rights.....	3.145	3.405	3.108	3.368
Amortised prepayments.....	-34.669	-44.321	-31.732	-41.321
Reversed tax on profit/loss for the year.....	13.991	9.973	8.521	7.587
Other adjustments.....	-1.312	-2.015	-1.312	-2.014
Corporation tax paid.....	-10.954	-15.695	-10.134	-5.299
Change in inventory.....	-4.607	-9.165	-3.896	-8.831
Change in receivables.....	-48.516	-43.995	-36.597	-29.372
Change in current liabilities (ex bank, tax and dividend).....	17.196	-105.187	-1.468	-126.325
Change in intercompany balances.....	21.951	-37.727	48.110	-33.840
CASH FLOWS FROM OPERATING ACTIVITIES	121.029	-99.141	106.357	-116.809
Purchase and sale of intangible fixed assets.	-17.595	-24.627	-2.859	-4.957
Purchase and sale of tangible fixed assets...	-141.817	-133.337	-102.211	92.388
Purchase and sale of financial assets.....	-189	3.614	-11.356	-235.325
Other financial investments.....	0	2.586	0	0
CASH FLOWS FROM INVESTING ACTIVITIES.	-159.601	-151.764	-116.426	-147.894
Proceeds from long-term lending.....	52.824	178.815	31.490	181.544
Other changes in long-term debt.....	-5.323	-5.510	-5.323	-5.510
Dividend paid in the financial year.....	-15.779	-10.885	-15.779	-10.885
CASH FLOWS FROM FINANCING ACTIVITIES.	31.722	162.420	10.388	165.149
CHANGE IN CASH AND CASH EQUIVALENTS.	-6.850	-88.485	319	-99.554
Cash and cash equivalents at 1 January.....	18.113	106.598	1.055	100.609
CASH AND CASH EQUIVALENTS AT 31 DECEMBER.....	11.263	18.113	1.374	1.055

NOTES

	Group		Parent company		Note
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000	
Net revenue					1
Fibre, rights of use, maintenance, transmission.....	319.703	308.336	312.136	327.391	
Letting out of premises and telehouses incl. power.....	106.592	108.556	97.529	100.460	
Sale of ducts and fibre systems.....	72.783	28.651	56.945	22.094	
Other revenue.....	107.716	91.319	45.618	31.109	
	606.794	536.862	512.228	481.054	
Segment details (geography)					
Domestic.....	449.314	397.380	397.353	365.745	
Abroad.....	157.480	139.482	114.875	115.309	
	606.794	536.862	512.228	481.054	
Fee to statutory auditors					2
Total fee:					
BDO.....	1.675	2.817	1.349	2.062	
	1.675	2.817	1.349	2.062	
Specification of fee:					
Statutory audit.....	783	944	500	500	
Assurance engagements.....	460	483	460	483	
Other accounting and tax services...	432	1.390	389	1.079	
	1.675	2.817	1.349	2.062	
Staff costs					3
Average number of employees					
Group: 226 (2015: 227)					
Parent company: 161 (2015: 174)					
Wages and salaries.....	129.344	112.764	82.020	84.952	
Pensions.....	13.506	14.828	9.708	12.245	
Other social security costs.....	1.408	1.380	1.045	1.242	
Other staff costs.....	5.173	4.706	3.869	4.054	
	149.431	133.678	96.642	102.493	
Remuneration of Management.....	6.677	6.635	6.677	6.635	
Remuneration of Board of Directors.	992	5.386	992	5.386	
	7.669	12.021	7.669	12.021	

An amount of DKK ('000) 26.994 has been deducted from wages and salaries which amount has been transferred to fixed assets as indirect production costs.

NOTES

	Group		Parent company		Note
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000	
Income from investments in subsidiaries					4
Result of equity investments in group enterprises.....	0	0	6.124	5.657	
	0	0	6.124	5.657	
Other financial income					5
Interest income from group enterprises.....	1.342	1.442	4.231	4.644	
Other interest income.....	9.642	9.907	8.361	8.234	
	10.984	11.349	12.592	12.878	
Other financial costs					6
Interest expense to group enterprises.....	0	105	0	105	
Other interest expenses.....	59.085	59.002	58.090	58.271	
	59.085	59.107	58.090	58.376	
Tax					7
Calculated tax on taxable income of the year.....	18.926	9.741	15.683	8.944	
Tax adjustment relating to prior years.....	-745	-657	-1.029	-636	
Adjustment of deferred tax.....	-4.190	888	-6.133	-720	
	13.991	9.972	8.521	7.588	
Proposed distribution of profit					8
Proposed dividend for the year.....	0	17.250	0	17.250	
Allocation to reserves for net revaluations under the equity method.....	0	0	6.124	5.351	
Retained earnings.....	40.636	17.343	34.512	11.991	
Minority shareholders.....	-2.252	-334	0	0	
	38.384	34.259	40.636	34.592	

NOTES

Note

Intangible fixed assets

9

	Group		
	Development cost	Prepayments regarding rights to use and licenses	Consolidated goodwill
Cost at 1 January 2016.....	16.046	45.395	34.903
Adjustment.....	0	-25.725	0
Exchange adjustment at closing rate.....	0	-3	0
Additions.....	2.859	5.434	11.118
Cost at 31 December 2016.....	18.905	25.101	46.021
Amortisation at 1 January 2016.....	3.055	19.635	15.471
Adjustment.....	0	-11.464	0
Exchange adjustment at closing rate.....	0	-1	0
Amortisation for the year.....	3.346	3.504	4.550
Amortisation at 31 December 2016.....	6.401	11.674	20.021
Carrying amount at 31 December 2016.....	12.504	13.427	26.000

Development costs concern the development of the company's ERP system AX.

The system is already contributing to optimizing administrative routines, enhancement of data and cost savings. The system is constantly being improved and is already now an essential management tool in the organisation. The development costs are amortised over 5 years, which in Management's view is the minimum lifetime of the system.

	Parent company	
	Development cost	Prepayments regarding rights to use and licenses
Cost at 1 January 2016.....	16.046	17.280
Additions.....	2.859	0
Cost at 31 December 2016.....	18.905	17.280
Amortisation at 1 January 2016.....	3.055	6.371
Amortisation for the year.....	3.346	3.108
Amortisation at 31 December 2016.....	6.401	9.479
Carrying amount at 31 December 2016.....	12.504	7.801

Development costs concern the development of the company's ERP system AX.

The system is already contributing to optimizing administrative routines, enhancement of data and cost savings. The system is constantly being improved and is already now an essential management tool in the organisation. The development costs are amortised over 5 years, which in Management's view is the minimum lifetime of the system.

NOTES

Note

Tangible fixed assets

10

	Group		
	Tangible assets		
	Land & buildings	construction	Other fixtures and equipment
Cost at 1 January 2016.....	35.282	37.055	475.359
Adjustment.....	0	0	761
Exchange adjustment.....	-9	0	-24
Additions.....	0	50.978	76.474
Disposals.....	0	-37.056	-10.682
Cost at 31 December 2016.....	35.273	50.977	541.888
Depreciation and write-down at 1 January 2016.....	7.382	0	251.822
Adjustment.....	0	0	295
Exchange adjustment.....	0	0	-7
Reversal of depreciation of assets disposed of..	0	0	-2.978
Depreciation for the year.....	1.463	0	48.809
Depreciation and write-down at 31 December 2016.....	8.845	0	297.941
Carrying amount at 31 December 2016.....	26.428	50.977	243.947
Finance lease assets.....			70.771

NOTES

Note

Tangible fixed assets (continued)

10

	Group		
	Leasehold improvements	Facility housing	Fibre/ducts
Cost at 1 January 2016.....	12.263	300.125	1.616.770
Adjustment.....	0	-761	25.725
Exchange adjustment.....	-9	-87	-1.022
Additions.....	122	8.930	48.462
Disposals.....	-178	0	623
Cost at 31 December 2016.....	12.198	308.207	1.690.558
Revaluation at 1 January 2016.....	0	36	17.789
Revaluation of the year.....	0	-36	-701
Revaluation at 31 December 2016.....	0	0	17.088
Depreciation and write-down at 1 January 2016.....	6.548	177.230	453.608
Adjustment.....	0	-295	11.464
Exchange adjustment.....	-2	-75	-35
Reversal of depreciation of assets disposed of..	-4	0	-2.563
Depreciation for the year.....	931	14.315	52.155
Depreciation and write-down at 31 December 2016.....	7.473	191.175	514.629
Carrying amount at 31 December 2016.....	4.725	117.032	1.193.017
Value of recognised assets, excluding revaluation under § 41 (1).....		117.032	1.175.929
Finance lease assets.....		39.548	23.854

NOTES

Note

Tangible fixed assets (continued)

10

	Parent company		
	Land & buildings	Tangible assets under construction	Other fixtures and equipment
Cost at 1 January 2016.....	32.916	10.325	389.115
Additions.....	0	17.653	37.740
Disposals.....	0	-10.325	-10.682
Cost at 31 December 2016.....	32.916	17.653	416.173
Depreciation and write-down at 1 January 2016.....	7.382	0	194.515
Reversal of depreciation of assets disposed of...	0	0	-2.978
Depreciation for the year.....	1.463	0	37.537
Depreciation and write-down at 31 December 2016.....	8.845	0	229.074
Carrying amount at 31 December 2016.....	24.071	17.653	187.099
Finance lease assets.....			39.476

NOTES

Tangible fixed assets (continued)

Note

10

	Parent company		
	Leasehold improvements	Facility housing	Fibre/ducts
Cost at 1 January 2016.....	6.596	276.222	1.324.880
Additions.....	12	8.513	53.434
Disposals.....	-178	0	932
Cost at 31 December 2016.....	6.430	284.735	1.379.246
Revaluation at 1 January 2016.....	0	36	17.789
Revaluation of the year.....	0	-36	-701
Revaluation at 31 December 2016.....	0	0	17.088
Depreciation and write-down at 1 January 2016.....	4.234	156.646	445.589
Reversal of depreciation of assets disposed of..	-4	0	-2.538
Depreciation for the year.....	412	13.683	40.266
Depreciation and write-down at 31 December 2016.....	4.642	170.329	483.317
Carrying amount at 31 December 2016.....	1.788	114.406	913.017
Value of recognised assets, excluding revaluation under § 41 (1).....		114.406	895.929
Finance lease assets.....		39.548	11.308

Fixed asset investments

11

	Group
	Deposits
Cost at 1 January 2016.....	5.184
Additions.....	213
Disposals.....	-90
Cost at 31 December 2016.....	5.307
Carrying amount at 31 December 2016.....	5.307

NOTES

Note

Fixed asset investments (continued)

11

	Parent company	
	Investments in subsidiaries	Deposits
Cost at 1 January 2016.....	296.450	4.013
Additions.....	12.336	0
Disposals.....	-160	0
Cost at 31 December 2016.....	308.626	4.013
Revaluation at 1 January 2016.....	16.019	
Exchange adjustment.....	-2.186	
Revaluation and write-down for the year.....	11.767	
Amortisation of goodwill.....	-4.550	
Revaluation at 31 December 2016.....	21.050	
Carrying amount at 31 December 2016.....	329.676	4.013
Goodwill.....	26.000	0

Goodwill

The ownership of GlobalConnect Outsourcing Services A/S has increased from 70 pct. to 80 pct. in 2016. The cost of the acquisition amounts to a total of DKK ('000) 11.118. The goodwill of the acquisition amounts to a total of DKK ('000) 11.118.

Investments in subsidiaries (DKK '000)

Name and registered office	Equity	Profit/loss for the year	Ownership
GlobalConnect GmbH, Hamburg.....	46.725	854	100 %
GlobalConnect Netz GmbH, Hamburg.....	255.319	12.856	100 %
SuperTel A/S, Taastrup.....	13.684	3.201	100 %
GigaContent A/S, Taastrup.....	16.594	-1.689	100 %
GlobalConnect Outsourcing Services A/S, Copenhagen.....	-3	-7.507	80 %

NOTES

	Group		Parent company		
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000	
Fixed asset investments (continued)					
Receivables regarding financial lease					
Gross receivable from financial leases					
Amounts due within 1 year (2016).....	10.616	11.307	6.263	6.263	
Amounts due between 1 and 5 years..	23.675	28.113	6.262	12.525	
Amounts due after 5 years.....	27.383	26.060	0	0	
	61.521	65.480	12.525	18.788	
Future interest payment, not earned..	-13.066	-14.422	-4.194	-6.574	
	48.455	51.058	8.331	12.214	
Net investment regarding financial leases					
Amounts due within 1 year (2016).....	7.181	7.816	4.068	3.883	
Amounts due between 1 and 5 years..	17.683	20.386	4.263	8.331	
Amounts due after 5 years.....	23.591	22.856	0	0	
	48.455	51.058	8.331	12.214	
Net present value of non-guaranteed scrap values.....	20.346	20.397	20.193	20.397	
	68.801	71.455	28.524	32.611	
Accumulated write-down reservations for bad debts on receivable minimum lease					
Provision at 1 January.....	-4.447	-4.950	-417	-611	
Provision of the year.....	5	503	204	194	
Provision at 31 December.....	-4.442	-4.447	-213	-417	
Receivable regarding financial leases	64.359	67.008	28.311	32.194	
Prepayments & accrued income					
This amount consists primarily of prepaid costs.					
			2016 DKK '000	2015 DKK '000	
Share capital					
Specification of the share capital:					
A-shares, 2.542.280 in the denomination of 1 DKK.....			2.542	2.542	
			2.542	2.542	

NOTES

Note

Provision for deferred tax

14

Provision for deferred tax comprises of inventory and intangible and tangible fixed assets.

	Group		Parent company	
	2016	2015	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000
Deferred tax at 1 January 2016.....	158.159	156.017	167.436	159.258
Deferred tax of the year, income statement.....	-5.303	2.126	-7.479	8.178
Deferred tax of the year, equity.....	-4.052	0	-4.052	0
Provision for deferred tax 31 December 2016.....	148.804	158.143	155.905	167.436

Other provisions for liabilities

15

Other provisions for liabilities consist of provision for guarantees given in contracts concerning indefeasible rights to use, entered into before 2005.

NOTES

Note

Long-term liabilities

16

	Group			
	1/1 2016 total liabilities	31/12 2016 total liabilities	Repayment next year	Debt outstanding after 5 years
Bonds & bank debt.....	768.502	813.393	119.405	0
Derivative financial instruments.....	18.419	13.096	0	0
Prepayments received.....	122.985	94.169	26.277	0
Other long-term liabilities.....	48.351	85.099	25.372	0
	958.257	1.005.757	171.054	0

	Parent company			
	1/1 2016 total liabilities	31/12 2016 total liabilities	Repayment next year	Debt outstanding after 5 years
Bonds & bank debt.....	768.502	813.393	119.405	0
Derivative financial instruments.....	18.419	13.096	0	0
Prepayments received.....	106.530	81.959	26.277	0
Other long-term liabilities.....	44.851	54.994	18.184	0
	938.302	963.442	163.866	0

With the purpose of securing future payments of interest expenses the company has in an earlier year entered into an interest rate SWAP on an underlying loan of DKK ('000) 219.850. However, also in prior years the loan was paid in, and the SWAP was continued. The SWAP will expire in 2019. As the value of the SWAP depends on the future market interest rate, it cannot be estimated which part of the debt that will fall due in the coming year.

Accruals and deferred income

17

This amount consists primarily of accrued revenue in future years.

NOTES

Note

Contingencies etc.

18

	Group		Parent company	
	2016	2015	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000
Lease commitments.....	15.831	13.482	11.780	10.714
Rental commitments.....	116.808	114.650	94.806	92.410
Guarantees to third party.....	46.981	46.981	3.793	3.793
Owners mortgage debt in tangible assets.....	367.000	357.545	367.000	357.545
Guarantee of payment	20.358	34.156	20.358	34.156
Floating charge.....	105.000	65.000	100.000	60.000
	671.978	631.814	597.737	558.618

Of the above contingencies, a total amount of DKK ('000) 20.358 is related to other Group companies.

The parent company GlobalConnect A/S has issued a letter of support to the subsidiary GlobalConnect Outsourcing Services A/S. GlobalConnect A/S declares through any necessary supplements to guarantee the company's obligations, thereby ensuring the company's continued operation for minimum end 2017.

The Danish companies of the Group are jointly and severally liable for tax on the Group's joint taxable income and for certain possible withholding taxes such as dividend tax.

Tax payable of the Group's joint taxable income is stated in the annual report of ZS Holding ApS, which serves as management company for the joint taxation.

Charges and securities

19

	Group		Parent company	
	Carrying amount of assets	Nom. value of mortgage or outstanding debt	Carrying amount of assets	Nom. value of mortgage or outstanding debt
	DKK '000	DKK '000	DKK '000	DKK '000
The following assets are pledged as security for debt:				
Chattel mortgages.....	0	283.000	0	283.000
Fibre/ducts.....	895.929	0	895.929	0
Facility housing.....	114.402	0	114.402	0
Real estate mortgages.....	0	93.871	0	93.871
Land and buildings.....	24.071	0	24.071	0
All-moneys mortgage, floating charge.....	0	100.000	0	100.000
Trade receivables.....	177.032	0	168.853	0
Inventories.....	29.359	0	29.359	0
Leasehold improvements.....	1.433	0	0	0
Deposits.....	617	0	0	0
	1.242.843	476.871	1.232.614	476.871

NOTES

Note

Charges and securities (continued)

19

	Group		Parent company	
	Carrying amount of assets	Nom. value of mortgage or outstanding debt	Carrying amount of assets	Nom. value of mortgage or outstanding debt
	DKK '000	DKK '000	DKK '000	DKK '000
The following assets are financed by financial leasing:				
Facility housing.....	39.548	16.455	39.548	16.455
Other fixtures and equipment.....	70.771	57.953	39.476	27.848
Fibre/ducts.....	13.802	11.308	11.308	11.308
	124.121	85.716	90.332	55.611

Related parties

20

GlobalConnect A/S' related parties include:

Controlling interest

Zibra A/S, Høveltevej 67, 3460 Birkerød is the principal shareholder.

Other related parties having performed transactions with the company

The company's related parties having a significant influence comprise subsidiaries and associates as well as the companies' Board of Directors, Board of Executives and executive officers and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests.

Transactions with related parties

The company did not carry out any substantial transactions that were not concluded on market conditions.

Significant events after the end of the financial year

21

As part of the refinancing plan for the Group the company has after the year-end offered an early redemption of the bond loans to the bondholders. If the offer is accepted this will mean a one-off expense of approximately DKK ('000) 68.550 which, however, on a long-term basis will result in a decrease of interest expenses.

Consolidated financial statements

22

GlobalConnect A/S is included in the consolidated financial statements of ZS holding ApS, Høveltevej 67, 3460 Birkerød.

ACCOUNTING POLICIES

The annual report of GlobalConnect A/S for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, large enterprise.

The annual report is prepared consistently with the accounting principles used last year.

Consolidated financial statements

The consolidated financial statements include the parent company GlobalConnect A/S and its subsidiaries in which GlobalConnect A/S directly or indirectly holds more than 50% of the voting rights or in any other way has a controlling influence. Enterprises in which the Group holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are considered associates, see the group structure.

The consolidated financial statements consolidate the financial statements of the parent company and the subsidiaries by combining uniform accounts items. Intercompany income and expenses, shareholdings, intercompany balances and dividend, and realised and unrealised gains and losses arising from transactions among the consolidated enterprises are fully eliminated in the consolidation.

New acquired or established enterprises are recognised in the consolidated financial statements from the time of acquisition. Sold or wound up enterprises are recognised in the consolidated income statement up to the time of disposal. Comparative figures are not adjusted for new acquired, sold or wound up enterprises.

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipment.

Investments in subsidiary enterprises are set off by the proportional share of the subsidiaries' market value of net assets and liabilities at the acquisition date.

Positive differences between acquisition value and market value of acquired and identified assets and liabilities are recognised in intangible fixed assets as goodwill and amortised systematically in the income statement under an individual assessment of the useful life. Negative differences are recognised in the income statement upon acquisition.

Minority interests

The accounting items of the subsidiaries are recognised in full in the consolidated financial statements. The minority interests' proportional share of the results and equity of the subsidiaries is stated as separate items in the allocation of profit and in individual main items under equity.

INCOME STATEMENT

Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

In cases where the company acts as lessor and leases part of its network on contracts lasting more than 15 years and where all substantial risks and benefits connected to the transfer of ownership are transferred to the lessee, the profit, calculated as the difference between the cost price and the net present value of the future incoming leasing payments and the non-secured scrap value at the end of the contract period, is shown in the income statement.

ACCOUNTING POLICIES

The net present value of future incoming lease payments and scrap values with deduction of writedowns on potentially unattainable lease payments are shown in the balance sheet as a financial asset.

Received lease payments are divided into interest, which are shown in the income statement, and prepayments, which are set off against the financial lease receivable.

Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible fixed assets.

Other operating expenses

Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

Cost of sales

Costs of sales are recognised concurrently with the related income and include purchase and cost price for sold goods during the year. Raw materials, consumables and indirect production costs are included in the cost price.

Other external expenses

Other external expenses consist of sales and development costs, marketing expenses, administration costs, costs for office premises, loss on trade receivables, operating lease expenses etc.

General development costs, which cannot be related to a specific project, are expensed as they arise.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Investments in subsidiaries

The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

ACCOUNTING POLICIES

BALANCE SHEET

Intangible fixed assets

Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life, which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific conditions.

Patents and licences are measured at the lower of cost less accumulated amortisation and the recoverable amount. Patents are amortised over the residual patent term and licences are amortised over the term of the agreement, however, no more than 15 years.

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Tangible fixed assets

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

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Fibre/ducts.....	20-40 years	0 %
Sea cables, housing and transmissions equipment.....	10-15 years	0 %
Other fixtures and equipment.....	3-10 years	0 %
Leasehold improvements.....	10 years	0 %
Buildings.....	20 years	0 %

Leases, which do not fulfil the requirements of financial leasing, are expensed on a current basis. The total commitment is disclosed in the notes to the financial report.

Profit or loss on disposal of tangible fixed assets is stated at the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Fixed asset investments

Investments in subsidiaries are measured in the company's balance sheet under the equity method.

Investments in subsidiaries are measured in the balance sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill calculated in accordance with the acquisition method. Goodwill is amortised on a straight-line basis over the expected useful life, which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific condition.

ACCOUNTING POLICIES

Consolidated goodwill is amortised over the expected useful life determined on the basis of management's experience within the individual lines of business. Consolidated goodwill is amortised on a straight-line basis over the period of amortisation, which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific condition.

Net revaluation of investments in subsidiaries is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value. The acquisition method is used on purchase of subsidiaries, see description above under consolidated financial statements.

Subsidiaries with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds receivables, the residual amount is recognised under provision for liabilities to the extent that the company's has a legal or actual liability to cover the subsidiary's deficit.

Impairment of fixed assets

The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, it is written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, it is written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by write-down to meet expected losses.

Cost price of financial lease contracts is recorded at the lower of market value and net present value of the future lease payments. The net present value is calculated by using the lease contracts' internal interest rate or an approximation thereof as discounting factor.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Other provisions for liabilities

Other provisions for liabilities include the expected cost of warranty commitments, loss on work in progress, restructuring etc. and deferred tax.

ACCOUNTING POLICIES

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Other liabilities are measured at amortised cost equal to nominal value.

The capitalised residual lease liability on finance lease contracts is also recognised as financial liabilities.

Accruals, liabilities

Accruals recognised as liabilities include payments received regarding income in subsequent years.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

ACCOUNTING POLICIES

CASH FLOW STATEMENT

The cash flow statement shows the company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

Cash flows from operating activities:

Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

Cash flows from investing activities:

Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

Cash flows from financing activities:

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents:

Cash and cash equivalents include bank overdraft and cash in hand.