

# **T-Systems Nordic A/S**

Lautrupvang 8  
2750 Ballerup  
CVR no. 14 81 52 44

## **Annual Report for 2016**

Adopted at the Annual General  
Meeting on 14 June 2017

**Chairman**

Franz Georg Heil

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## **Statement by Management on the Annual Report**

The Executive Board and Board of Directors have today discussed and approved the Annual Report of T-Systems Nordic A/S for the financial year 1 January - 31 December 2016.

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 Company's financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

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

Management recommends that the Annual Report should be approved at the Annual General Meeting.

Ballerup, 14 June 2017

### **Executive board**

Rudolphus Johannes  
Wilhelmus Antonius Hellemons  
CEO

### **Board of Directors**

Franz Georg Heil  
Chairman

Bernhard Josef Fohringer

Thomas Deeg

Casper Malig

Rudolphus Johannes  
Wilhelmus Antonius  
Hellemons

## **Independent Auditor's Report**

To the shareholder of T-Systems Nordic A/S

### **Opinion**

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2016 and of the results of the company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the financial statements of T-Systems Nordic A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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' 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.

### **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, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

## **Independent Auditor's Report**

### **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.

### **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 judgment and maintain professional skepticism 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.

## Independent Auditor's Report

- 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.

Hellerup, 14 June 2017

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR no. 33 77 12 31

Leif Ulbæk Jensen  
State Authorised Public Accountant

## Company Details

### The Company

T-Systems Nordic A/S  
Lautrupvang 8  
2750 Ballerup

Telephone: +45 70 12 26 26

CVR no.: 14 81 52 44

Reporting period: 1 January - 31 December

Domicile: Ballerup

### Board of Directors

Franz Georg Heil, chairman, Chairman  
Bernhard Josef Fohringer  
Thomas Deeg  
Casper Malig  
Rudolphus Johannes Wilhelmus Antonius Hellemons

### Executive Board

Rudolphus Johannes Wilhelmus Antonius Hellemons, CEO

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Financial Highlights

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

	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
Revenue	568.893	516.934	507.502	296.591	288.284
Gross profit	84.626	55.393	31.746	36.811	67.800
Profit/loss before financial income and expenses	23.948	409	-26.525	-18.610	15.933
Net financials	-2.774	-3.574	-4.730	-1.255	183
Profit/loss for the year	20.002	-3.164	-36.415	-21.579	13.371
Balance sheet total	367.170	322.423	380.631	152.138	112.403
Investment in property, plant and equipment	8.741	13.491	6.326	-5.227	-11.314
Equity	29.199	8.790	11.955	3.370	13.749
Number of employees	51	50	49	61	46
<b>Financial ratios</b>					
Gross margin	14,9%	10,7%	6,3%	12,4%	23,5%
Profit margin	4,2%	0,1%	-5,2%	-6,3%	5,5%
Return on assets	6,9%	0,1%	-10,0%	-14,1%	14,3%
Solvency ratio	8,0%	2,7%	3,1%	2,2%	12,2%
Return on equity	105,3%	-30,5%	-475,2%	-252,1%	189,3%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

## Management's Review

### T-Systems company profile

With a footprint in more than 20 countries, 43,700 employees, and external revenue of 7.9 billion euros (2016), T-Systems is one of the world's leading providers of information and communications technology (ICT). T-Systems offers a range of integrated solutions for business customers, including the secure operation of legacy systems and classic ICT services, the transformation to cloud-based services (including tailored infrastructure, platforms and software) as well as new business models and innovation projects for the business fields of the future, such as data analytics, the Internet of Things, machine-to-machine (M2M) communication and Industrial Internet. T-Systems can provide all this thanks to its global reach in fixed-network and mobile communications, its highly secure data centers, a comprehensive cloud ecosystem built around standardized platforms and global partnerships, and the ability to offer top levels of security.

### Comprehensive cloud ecosystem

Cloud computing is increasingly gaining acceptance alongside the classic operation of IT systems. T-Systems can bring around 20 years' experience to the table in outsourcing, system integration, and the planning, assembly and operation of IT systems and networks. Together with some 90 partner companies – including industry leaders such as Avaya, Cisco, Huawei, Informatica, Microsoft, Salesforce and VMware – T-Systems offers business customers the full array of different cloud models, from tailored private clouds and low-cost public cloud services through to hybrid clouds. If required by the customer, each of these variants can be located in Germany and operated in accordance with strict European data-privacy standards. Companies can choose to source their – individually scalable – infrastructure, platforms, software and cloud integration "as a service."

The majority of T-Systems' cloud products are available from the House of Clouds, the by-name for the company's high-performance data center in Biere, near the German city of Magdeburg. Biere is the only data center in the world where nearly all major cloud providers can be found side-by-side. The benefits for the customer are crystal clear. First, the data hub offers them fast processing and analysis. Second, they can use the center to transfer enormous data volumes easily within a system. Third, T-Systems is already working with its customers so that they will soon be able to move mountains of data back and forth between different systems. The data center in Biere provides customers with a "high-density cloud" service. Biere, which is considered the Fort Knox of data centers, has become a European data hub attracting more and more customers – and also partners. That is why T-Systems began the next expansion phase (Biere 2) in summer 2016; once completed, it will more than double the center's capacity.

## Management's Review

Biere's newest "resident" is the Open Telekom Cloud (OTC), Deutsche Telekom's latest public cloud product, which it developed in cooperation with technology partner Huawei. OTC offers components and resources such as servers, computing power, network capacity, archiving and backup systems along with other services. TÜV Austria Deutschland, a technical services provider, has awarded the OTC two certifications for its cloud security management system, confirming that it is operated in accordance with defined quality standards. Although some two-thirds of classic applications can already be migrated to the cloud, only very few companies have thus far developed corresponding strategies and approaches. Around 4,000 IT integration experts at T-Systems can transfer complex application landscapes to an integrated, future-proof IT system.

With its extensive experience in cloud computing, T-Systems has earned the trust of many in recent years. Corporations such as Shell, Daimler, Spain's national postal service Correos, and financial services providers like Union Investment all rely on the expertise of the cloud-computing pioneer, sourcing T-Systems' network-based applications as well as its computing and storage capacities via the Internet. Steel giant ThyssenKrupp trusts in the cloud expertise of T-Systems as well, and is sourcing its PC workplaces from the Telekom Cloud using the Dynamic Workplace solution.

### **Where classic and cutting-edge IT meet**

Digitization, the No. 1 topic in the business world, generally doesn't take place before a blank canvas. Business customers have complex legacy systems in place, such as applications, computers, servers and networks. T-Systems can operate these systems in a secure, stable and efficient manner. But classic IT business too is changing with the times.

T-Systems now grants companies the option of terminating their contracts three months after completion of migration if they are not satisfied with the agreed performance. This, the first contractual model to replace long contract periods and antiquated outsourcing models with dynamic SAP services and SAP HANA, is called Run on Satisfaction. T-Systems wants to continue down this path, offering its business customers novel flexible service models.

### **High-performance networks for enterprises**

Deutsche Telekom is constantly refining its high-performance infrastructure and invests billions of euros for this purpose every year. The Internet Protocol (IP) is increasingly becoming the technical basis. Next-generation networks (NGN) and all-IP networks make it possible for companies to offer their services and applications over the Internet, through new business models. The integrated network strategy is based on fixed-mobile convergence, the development of 5G, and a pan-European network (Pan-Net).

## **Management's Review**

Advancements in the development of the 5G standard mean that Deutsche Telekom has recently been able to reduce latency to under one millisecond, which is a requirement for real-time applications such as self-driving cars, remote medical procedures, and even high-performance games.

The T-Systems telecommunications portfolio is divided into several different areas: connectivity and network access, corporate networks, and end-user communications. It includes access services for high-performance mobile and fixed networks, and secure corporate networks (LANs and WANs) based on VPN technology and including operations, maintenance and updates. T-Systems also offers communication services such as Unified Communications, voice over IP and videoconferencing systems on the basis of public and proprietary networks. For years now, Deutsche Telekom networks have ranked very high in tests for network coverage, voice quality and data transmission speeds.

### **International network alliances**

T-Systems works together with network operators across the globe. In 2016, the company and its international partners founded a new enterprise called ngena, which stands for Next Generation Enterprise Network Alliance. Still in the establishment phase, this fixed-network alliance is going to offer secure, high-performance global services for international business customers from 2017 onward. The idea behind the new alliance is for strong local providers to share their networks with all the other members. Each partner will invest in its own network, but all will benefit from the sum total of the networks. While each partner will serve its local market, the alliance enables the partner's customers to access international networks. Like the cloud, ngena creates a technical platform for all participating partners.

T-Systems is also going global when it comes to mobile networks. Via Freemove (in Europe), Bridge Alliance (in Asia) and T-Mobile US, the company can provide its customers with reliable mobile coverage in 100 countries across the globe – giving it the best 4G network worldwide.

### **Combating cyber criminals**

Cloud computing, mobile solutions and big data all pose entirely new challenges for IT security. What is more, cyber attacks on corporate networks and IT systems are getting ever more sophisticated and have become a huge threat to the economy. Data privacy and data security are thus crucial criteria for success in all technical developments. That is why Deutsche Telekom established the new Telekom Security business unit, which concentrates all the company's security activities, and channels the experience of its more than 1,000 security experts. The Group is doing everything in its power to protect its own IT systems and networks – as well as the data of its corporate customers and consumers – from Internet-based attacks, to develop new security solutions for its customers, and to continuously adapt them to new requirements.

## **Management's Review**

### **Digitizing the economy**

Founded in 2015, the T-Systems Digital Division unites the company's digitization expertise in a single business unit. It focuses on refining innovative digital solutions that will help the company optimize its development, production and customer processes. The solutions in question include applications for analyzing large amounts of data in real time (data analytics), solutions for connecting objects (the Internet of Things) and machines (M2M), industry-specific solutions such as Connected Car as well as a connected healthcare system (e-health).

Data analytics, i.e., the analysis of machine and device data, is one of the core competencies for the digital transformation. The increasing integration of machines and devices in networks is triggering an explosion in the volume of data to be processed. T-Systems offers the computing capacity to process data in the cloud, analyze it as required, and make it available to customers in line with their specific needs. The analyses are based on technologies such as SAP HANA and Hadoop.

Wherever data on the status of machines and devices is available in large volumes in real time, companies can use it for predictive maintenance. This involves equipping machines and devices with sensors, which continuously record data on the status of individual components. The data is sent via the mobile network to a centralized smart software program that analyzes and processes it in real time. These analyses can recognize imminent damage or defects in vehicles or machines before they lead to downtime. Predictive maintenance can reduce maintenance costs by up to 50 percent.

### **Connected and autonomous driving**

T-Systems is also teaching vehicles how to communicate, through sensors and smart networking. Turning the vision of autonomous vehicles into reality requires, for one thing, high-resolution roadmaps. More importantly, it involves collecting, aggregating and processing diverse sensor data and environmental information in real time. This is where T-Systems' Connected Car platform comes in. It comprises all the components needed for the secure global networking of different manufacturers' vehicles along with service providers and infrastructure operators. Major automakers such as BMW and Daimler already deploy T-Systems' Connected Car solutions.

Under the Innovation Charter for the Digital Motorway Test Bed, a group of organizations in Germany – Deutsche Telekom, Continental, the Fraunhofer ESK Institute for Embedded Systems and Communication Technologies, and Nokia Networks – are testing real-time communication between motor vehicles via the LTE network. Vehicles traveling on the motorway can exchange information on driving hazards extremely quickly, with data transmission times in the millisecond range. This technology enables the development of applications that interface with vehicle electronics to make driving a safer and more comfortable experience.

## **Management's Review**

The fastest mobile network will hit the road in summer 2016, when T-Systems equips BMW ConnectedDrive with LTE, enabling download speeds of up to 300 megabits per second (MBit/s). Deutsche Telekom will provide the Bavarian automaker with a managed mobile network and uniform service across 60 countries. BMW will also gain a complete overview of mobile network availability in each country.

### **Strategy**

Since 2004, T-Systems has been active in the Nordic market.

In 2012, the T-Systems Nordic strategy was adjusted. Previously, T-Systems Nordic mainly focused on SAP solutions etc. belonging to the Small and Medium Business (SMB) segment since the majority of the Nordic companies belongs here.

However, since T-Systems differentiates itself from the majority of competitors through their global ability to supply both IT and telecommunication, it was decided to focus on “bringing the whole of T-Systems to the Nordic” instead of building up a “T-Systems Nordic” (with its own Nordic profile). In other words, make available the global service ability of T-Systems to global, Nordic companies.

### **Business Review**

The Company's income statement for the year ending 31 December 2016 shows a net profit of DKK 20.002 k and the balance sheet at 31 December 2016 shows shareholders' equity of DKK 29.199 k.

Net Profit/Loss for the year compared with previously expressed expectations

The result of T-Systems Nordic is mainly influenced by the growth strategy including all investments in additional employees, marketing activities and relationship management. Within 2016 we are on track with our strategy and earn the result which is reflected in the overall positive development of our Local Business Unit.

Overall the development of the financial result is in line with our ambitious growth strategy.

### **Foreign branches**

The company's branch in Sweden performs ICT activities. The net result in 2016 is satisfactory.

The company's branch in Norway is the smallest subdivision for T-Systems Nordic and performs telecommunication activities primarily to the wholesale market. The net result in 2016 is in line with the development of the previous years.

## **Management's Review**

The company's branch in Finland performs ICT activities primarily for the manufacturing market. In 2016 we stabilized our business in the country and see a huge growth potential in the manufacturing market.

The net result over-achieved the expectations.

### **Corporate Governance**

#### **Commitment**

We have high expectations – especially of ourselves.

T-Systems follows comprehensive principles of good corporate governance, which include accounting guidelines, compliance and ethical standards.

These principles fulfill the requirements of our parent company, Deutsche Telekom AG, and the public, as well as complying with the legal framework. For us, corporate governance means that we publish transparent financial reports, control our subsidiaries effectively, implement guidelines and rules in full, ensure that our business development is sustainable, maintain high ethical standards and promote integrity and commitment.

These principles allow our company T-Systems with its 46,000 employees worldwide to:

- meet high quality and security standards,
- offer products and services through more than 100 subsidiaries in more than 20 countries,
- and to achieve long-term financial success together with our partners.

The framework of guidelines and documentation of corporate governance at T-Systems is provided by the Corporate Governance Rules of Deutsche Telekom, the Code of Conduct, the Corporate Vision, the environmental goals of the business units, and our financial, environmental and social reporting.

An additional factor is the assumption of ethical responsibility – for example in connection with sport and cultural sponsoring, involvement in society and the promotion of education and training through the Telekom Foundation.

## Management's Review

### Statutory Corporate Social Responsibility (CSR) Report

The Company has not drawn up any CSR report as the parent company has prepared this for the Group. The report may be downloaded on this link:

<https://www.telekom.com/en/search-this-website?query=annual+report+2016>

Annual Report 2016 Of DEUTSCHE TELEKOM AG

Including:

- SUSTAINABLE DEVELOPMENT GOALS (Overview page 18)
- CORPORATE RESPONSIBILITIES (page 82/83 ff)

### Embracing diversity

For over a decade now, DEUTSCHE TELEKOM and all consolidated subsidiaries have sustainably and comprehensively supported diversity throughout the Group. DEUTSCHE TELEKOM integrate all aspects of diversity, and reinforce them with a host of flagship projects, such as our initiatives for the advancement of women.

Gender equality remains a particular concern of DEUTSCHE TELEKOM, having campaigned relentlessly on this issue for many years. Back in 2010, DEUTSCHE TELEKOM introduced a quota of 30 percent of leadership roles worldwide to be filled with women. Our highly successful pilot scheme in 2015 trained women to take on national and international supervisory board mandates, and met with widespread acceptance.

The follow-up program, launched in fall 2015, was also open to men, and ended in June of the reporting year. In total, these two programs trained 60 women for a demanding supervisory board role. Tried-and-trusted measures, such as managing the advancement of women throughout the entire talent acquisition strategy, and specifically targeting women, for example with a website exploring opportunities for women, advertisements, and trade fairs designed for women as the target group, remain pivotal to our strategy for advancing women. The proportion of women representing the shareholders in our international supervisory boards likewise increased from 7.4 percent in 2010 to 23.4 percent at the end of 2016. Nevertheless our global diversity target as member of the DEUTSCHE TELEKOM Group is not overall fulfilled. Therefore your strategy for T-Systems Nordic of *“Embracing diversity”* will to be increase diversity in all aspects over the upcoming years.

## **Management's Review**

### **Diversity**

Diversity is a core underlying theme that runs through everything we do and is the enabler of outstanding performance, in an environment that offers the space to develop personally and the best conditions for finding the ideal work-life balance. We are an international network whose goal is to overcome challenges with teamwork and team spirit. And we support all employees in their efforts to put our social responsibility into practice. We firmly believe that changes bring new opportunities for development and innovation – and that people who pursue maximum performance can achieve and ideally exceed their potential and create something new.

Today we offer our staff the work environment of tomorrow – through a Group-wide, broad spectrum of innovative opportunities to design their careers. Our flexible working time models, opportunities for personal development in service-oriented and technical professions, and our groundbreaking approach to the promotion of women make us one of the most modern employer.

Towards sustainable development

What we do today impacts the world we live in tomorrow. That's why T-Systems is committed to the principle of sustainable development.

While pursuing our business objectives, we take care to use resources wisely and sparingly. In doing so, we not only protect our natural environment. We are also helping to make T-Systems more competitive.

We therefore need our employees to be aware of green issues. And we help them to develop the skills needed to create innovative products for our customers, and efficient business processes for our company.

As a provider of information and communication technology (ICT) solutions, T-Systems plays a key role in shaping modern society – for example, by promoting new forms of employment that improve the work-family balance; by encouraging the intelligent use of ICT in education and training; and by developing systems that make public-sector organizations more citizen-friendly and more efficient. In our view, all these factors contribute to sustainability.

### **Effect on external environment**

#### **Active climate protection**

As part of the Deutsche Telekom Group, the main goal of our climate protection policy is to systematically and verifiably minimize the CO<sub>2</sub> emissions we generate.

## **Management's Review**

The Group also promotes the efficient use of resources, dialog with its customers and society on climate protection, and reductions in CO2 emissions.

### **Subsequent events**

No subsequent events have occurred, which could materially affect the assessment of the Company's financial position.

### **Outlook**

#### **Market Transformation and Challenges**

The market for IT and Telecommunication is undergoing radical transformation. Today's business processes are digital and globally connected. Demands for transmission speed, user friendliness, and mobile access are increasing. IT services from the cloud, applications for analyzing large amounts of data in real time (Data Analytics), and solutions for connecting objects (Internet of Things), machines (M2M, machine-to-machine) and Security are spreading rapidly.

#### **Nordic market**

The economic situation in 2016 in the Nordic market is hardly influenced by the EU sanction of Russia and the huge drop of the oil price. Nevertheless the political situation is quite stable and will give the trust to increase business within the Nordic market.

T-Systems Nordic is in the middle of the growth strategy phase and will continue on the path chosen. Marketing activities especially in the main Airports in the Nordic increased the visibility of T-Systems in the market. With the new portfolio Digitalization and Security of T-Systems we will be the trusted provider to ensure End-2-End business.

All the activities will support the overall Deutsche Telekom strategy to become the "Leading TC provider in Europe".

Focus for the next years is to execute our growth strategy and become more market shares in the digitalized IT business in the Nordic.

## **Accounting Policies**

The Annual Report of T-Systems Nordic A/S for 2016 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 are consistent with those of last year.

The Annual Report for 2016 is presented in DKK.

### **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 Deutsche Telekom AG, the Company has not prepared a cash flow statement.

### **Basis of recognition and measurement**

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company's 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 from the company's and the value of the liability can be measured reliably.

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

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report are presented and which confirm or invalidate matters existing at the balance sheet date.

## **Accounting Policies**

### **Leases**

Leases for items of property, plant and equipment that transfer substantially all the risks and rewards incident to ownership to the company (finance leases) are recognised in the balance sheet as assets. On initial recognition, assets are measured at estimated cost, corresponding to the lower of fair value of the leased asset and the present value of the future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the company's other non-current assets.

The capitalised residual lease commitment is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under 'Contingencies, etc.'.

### **Foreign currency translation**

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

## **Income statement**

### **Revenue**

Revenue from the sale of services is recognised in the income statement when the risks and rewards relating to the services sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

## **Accounting Policies**

### **Raw materials and consumables**

Expenses for raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

### **Other operating expenses**

Other operating expenses comprise items of a secondary nature relative to the Company's activities, including losses on the sale of property, plant and equipment.

### **Other external expenses**

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

### **Staff costs**

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 the year's amortisation, depreciation and impairment of property, plant and equipment.

### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### **Tax on profit/loss for the year**

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

## **Balance sheet**

### **Tangible assets**

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

## Accounting Policies

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12.900 are expensed in the year of acquisition.

### Impairment of fixed assets

The carrying amount of property, plant and equipment is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

### Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### Equity

#### Dividend

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the Annual General Meeting.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes 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 within the same legal tax entity.

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. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

## Accounting Policies

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Liabilities

Liabilities, which include trade receivables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

### Financial Highlights

Definitions of financial ratios.

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

## Income Statement 1 January - 31 December

	Note	2016 DKK	2015 DKK
<b>Revenue</b>	2	<b>568.892.984</b>	<b>516.934.220</b>
Raw materials and consumables		-450.853.679	-410.537.686
Other external expenses		-33.412.944	-51.003.755
<b>Gross profit</b>		<b>84.626.361</b>	<b>55.392.779</b>
Staff costs	3	-52.041.785	-47.978.405
<b>Earnings Before Interest Taxes Depreciation and Amortization</b>		<b>32.584.576</b>	<b>7.414.374</b>
Depreciation, amortisation and impairment of property, plant and equipment		-8.636.823	-7.005.240
<b>Profit/loss before financial income and expenses</b>		<b>23.947.753</b>	<b>409.134</b>
Financial income	4	149.283	314.999
Financial costs	5	-2.923.415	-3.888.544
<b>Profit/loss before tax</b>		<b>21.173.621</b>	<b>-3.164.411</b>
Tax on profit/loss for the year		-1.171.952	0
<b>Net profit/loss for the year</b>		<b>20.001.669</b>	<b>-3.164.411</b>
Distribution of profit	6		

## Balance Sheet 31 December

	<u>Note</u>	<u>2016</u> DKK	<u>2015</u> DKK
<b>Assets</b>			
Other fixtures and fittings, tools and equipment		17.213.038	17.092.843
<b>Tangible assets</b>	7	<b><u>17.213.038</u></b>	<b><u>17.092.843</u></b>
Deposits		1.172.432	1.155.156
<b>Fixed asset investments</b>		<b><u>1.172.432</u></b>	<b><u>1.155.156</u></b>
<b>Fixed assets total</b>		<b><u>18.385.470</u></b>	<b><u>18.247.999</u></b>
Trade receivables		252.333.498	187.351.074
Receivables from group enterprises		37.062.441	23.121.709
Other receivables		1.274.289	2.005.600
Corporation tax		3.675.850	1.266.138
Prepayments		8.642.647	1.896.581
<b>Receivables</b>		<b><u>302.988.725</u></b>	<b><u>215.641.102</u></b>
<b>Cash at bank and in hand</b>		<b><u>45.795.398</u></b>	<b><u>88.533.737</u></b>
<b>Current assets total</b>		<b><u>348.784.123</u></b>	<b><u>304.174.839</u></b>
<b>Assets total</b>		<b><u>367.169.593</u></b>	<b><u>322.422.838</u></b>

## Balance Sheet 31 December

	<u>Note</u>	<u>2016</u> DKK	<u>2015</u> DKK
<b>Liabilities and equity</b>			
Share capital		5.500.000	5.500.000
Retained earnings		<u>23.698.887</u>	<u>3.290.112</u>
<b>Equity</b>	<b>8</b>	<b><u>29.198.887</u></b>	<b><u>8.790.112</u></b>
Trade payables		30.561.681	24.660.309
Payables to group enterprises		271.877.383	260.876.343
Corporation tax		488.416	0
Other payables		<u>35.043.226</u>	<u>28.096.074</u>
<b>Short-term debt</b>		<b><u>337.970.706</u></b>	<b><u>313.632.726</u></b>
<b>Debt total</b>		<b><u>337.970.706</u></b>	<b><u>313.632.726</u></b>
<b>Liabilities and equity total</b>		<b><u>367.169.593</u></b>	<b><u>322.422.838</u></b>
Capital Resources	1		
Rental agreements and leases	9		
Contingent assets, liabilities and other financial obligations	10		
Related parties and ownership	11		
Subsequent events	12		

## Statement of Changes in Equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
	DKK	DKK	DKK
Equity at 1 January 2016	5.500.000	3.290.112	8.790.112
Exchange adjustments	0	407.106	407.106
Net profit/loss for the year	0	20.001.669	20.001.669
<b>Equity at 31 December 2016</b>	<b><u>5.500.000</u></b>	<b><u>23.698.887</u></b>	<b><u>29.198.887</u></b>

## Notes to the Financial Statements

### 1 Capital Resources

The activities of T-System Nordic A/S has in several years been financed by short term intercompany loans amounting to DKK 94.6 million as of 31 December 2016. The credit facilities made available for the Company is agreed with the ultimate Parent Company Deutsche Telekom AG based on the activities and plans of T-Systems Nordic A/S.

Based on cash at bank and in hand, DKK 45.8 million as of 31 December 2016 and the ongoing contracts with major customers Management assesses that Deutsche Telekom AG, as in previous years, will continue to support the Company with sufficient liquidity and that intercompany trade payables of DKK 271.9 million not will be called unless the liquidity position of TSystem Nordic A/S is adequate to justify such repayment. Management assesses on this basis, capital resources to be satisfactory and prepared the Financial Statements, under the precondition of continued operation.

### 2 Information on segments

#### Geographical segments

DKK	<u>Denmark</u>	<u>Sweden</u>	<u>Finland</u>	<u>Norway</u>	<u>Total</u>
2016					
Revenue	74.719.394	197.572.997	289.348.211	7.252.382	568.892.984
2015					
Revenue	78.286.087	145.153.697	284.648.462	8.845.974	516.934.220

Information of geographical segments are based on the Companys risks and returns and its internal financial reporting system.

## Notes to the Financial Statements

	<u>2016</u> DKK	<u>2015</u> DKK
<b>3 Staff costs</b>		
Wages and salaries	43.041.091	39.817.274
Pensions	4.623.024	4.680.898
Other social security costs	<u>4.377.670</u>	<u>3.480.233</u>
	<b><u>52.041.785</u></b>	<b><u>47.978.405</u></b>
Average number of employees	<u>51</u>	<u>50</u>
According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.		
<b>4 Financial income</b>		
Other financial income	<u>149.283</u>	<u>314.999</u>
	<b><u>149.283</u></b>	<b><u>314.999</u></b>
<b>5 Financial costs</b>		
Financial expenses, group entities	1.225.814	2.738.956
Other financial costs	116.325	46.791
Exchange loss	<u>1.581.276</u>	<u>1.102.797</u>
	<b><u>2.923.415</u></b>	<b><u>3.888.544</u></b>
<b>6 Distribution of profit</b>		
Retained earnings	<u>20.001.669</u>	<u>-3.164.411</u>
	<b><u>20.001.669</u></b>	<b><u>-3.164.411</u></b>

## Notes to the Financial Statements

### 7 Tangible assets

	Other fixtures and fittings, tools and equipment
	<u>DKK</u>
Cost at 1 January 2016	111.700.111
Exchange adjustment	-449.423
Correction concerning 2015	-3.792.420
Additions for the year	8.740.751
Disposals for the year	<u>-10.339.207</u>
Cost at 31 December 2016	<u>105.859.812</u>
Impairment losses and depreciation at 1 January 2016	94.607.268
Exchange adjustment	-505.930
Depreciation for the year	8.636.824
Correction concerning 2015	-3.792.420
Reversal of impairment and depreciation of sold assets	<u>-10.298.968</u>
Impairment losses and depreciation at 31 December 2016	<u>88.646.774</u>
<b>Carrying amount at 31 December 2016</b>	<b><u>17.213.038</u></b>
Depreciated over	<u>3-5 år</u>

### 8 Equity

The share capital consists of 55.000 shares of a nominal value of DKK 100. No shares carry any special rights.

## Notes to the Financial Statements

	<u>2016</u> DKK	<u>2015</u> DKK
<b>9 Rental agreements and leases</b>		
Obligations according to operational leasing contracts relating to cars and other equipment	2.925.603	2.931.276
Rent obligations	3.074.254	4.498.572

## 10 Contingent assets, liabilities and other financial obligations

### Contingent assets

The Company has a non recognized tax asset on DKK 190 million mainly relating to tax losses carried forward.

### Contingent liabilities

The Danish Tax Authorities ("SKAT") have requested transfer pricing documentation. T-Systems Nordic A/S has in May 2014 received SKATs draft tax assessment regarding FY 2008-2011. Management has decided to challenge the assessment from the Danish authorities and believe that the current setup has been done in accordance with general accepted transfer pricing guidelines. The potential impact on the financial position of the Company will be limited due to the non-recognized deferred tax asset as mentioned above under contingent assets.

## 11 Related parties and ownership

### Controlling interest

T-Systems International GMBH, Parent Company, owns 100%

### Consolidated financial statements

The Company is included in the group annual report of the ultimate Parent Company, Deutsche Telekom AG.

## Notes to the Financial Statements

### 11 Related parties and ownership (continued)

The group annual report of the ultimate Parent company, Deutsche Telekom AG, may be obtained at the following address:

Deutsche Telekom AG  
Friedrich-Ebert-Alle 140  
D-53113 Bonn  
Germany

### 12 Subsequent events

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