
T-systems Nordic A/S

Lautrupvang 8, DK-2750 Ballerup

Annual Report for 1 January - 31 December 2015

CVR No 14 81 52 44

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/05 2016

Georg Heil
Chairman



pwc

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of T-systems Nordic A/S for the financial year 1 January - 31 December 2015.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2015 of the Company and of the results of the Company operations for 2015.

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

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

Ballerup, 31 May 2016

Direktion

Rolf Hellemons
CEO

Bestyrelse

Georg Heil
Chairman

Thomas Deeg

Rolf Hellemons

Independent Auditor's Report on the Financial Statements

To the Shareholder of T-systems Nordic A/S

Report on the Financial Statements

We have audited the Financial Statements of T-systems Nordic A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 31 May 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Leif Ulbæk Jensen

statsautoriseret revisor

Company Information

The Company

T-systems Nordic A/S
Lautrupvang 8
DK-2750 Ballerup

Telephone: + 45 70 12 26 26

CVR No: 14 81 52 44

Financial period: 1 January - 31 December

Municipality of reg. office: Ballerup

Filialer i udlandet

T-systems Nordic A/S, filial, Sverige

T-systems Nordic A/S, filial, Norge

T-systems Nordic A/S, filial, Finland

Board of Directors

Georg Heil, Chairman

Thomas Deeg

Rolf Hellemons

Executive Board

Rolf Hellemons

Auditors

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Strandvejen 44

DK-2900 Hellerup

Financial Highlights

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

	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK	2011 TDKK
Key figures					
Profit/loss					
Revenue	516.934	507.502	296.591	288.284	251.964
Gross profit/loss	55.393	31.746	36.811	67.800	52.251
Profit/loss before financial income and expenses	409	-26.525	-18.610	15.933	10.471
Net financials	-3.574	-4.730	-1.255	183	-2.376
Net profit/loss for the year	-3.164	-36.415	-21.579	13.371	4.743
Balance sheet					
Balance sheet total	322.423	380.631	152.138	112.403	110.393
Equity	8.790	11.955	3.370	13.749	378
Investment in property, plant and equipment	13.491	6.326	-5.227	-11.314	20.290
Number of employees	50	49	61	46	38
Ratios					
Gross margin	10,7%	6,3%	12,4%	23,5%	20,7%
Profit margin	0,1%	-5,2%	-6,3%	5,5%	4,2%
Return on assets	0,1%	-7,0%	-12,2%	14,2%	9,5%
Solvency ratio	2,7%	3,1%	2,2%	12,2%	0,3%
Return on equity	-30,5%	-475,2%	-252,1%	189,3%	-237,9%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Financial Statements of T-systems Nordic A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Annual Report has been prepared under the same accounting policies as last year.

T-Systems company profile

With a footprint in more than 20 countries, 46,000 employees, and external revenue of 7.1 billion euros (2015), 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.

Management's Review

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 high-security data centers 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 will begin the next expansion phase (Biere 2) in summer 2016; once completed, it will more than double the center's capacity.

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.

Management's Review

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).

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.

Management's Review

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 the reason 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.

Management's Review

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.

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.

Management's Review

Business Review

The Company's income statement for the year ending 31 December 2014 shows a net loss of DKK 3,164k and the balance sheet at 31 December 2015 shows shareholders' equity of DKK 8,790 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 2015 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 2015 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 2015 is in line with the development of the previous years.

The company's branch in Finland performs ICT activities primarily for the manufacturing market. In 2015 we stabilized our business in the country and see a huge growth potential in the manufacturing market.

The net result overachieved the expectations.

Management's Review

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 ultimate 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

Diversity

In compliance with Danish law T-systems Nordic A/S will set a target to elect a least one female member of the supervisory board elected at the annual general meeting before the end of 2018. A follow-up will be made in the Financial Statements.

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

As part of the Deutsche Telekom Group, the main goal of our climate protection policy is to systematically and verifiably minimize the CO₂ emissions we generate.

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

Management's Review

Outlook

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. The economic situation in 2015 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 be 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.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2015 DKK	2014 DKK
Revenue	2	516.934.220	507.502.074
Expenses for raw materials and consumables		-410.537.686	-389.620.653
Other external expenses		-51.003.755	-86.135.161
Gross profit/loss		55.392.779	31.746.260
Staff expenses	3	-47.978.405	-51.706.939
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-7.005.240	-6.564.747
Profit/loss before financial income and expenses		409.134	-26.525.426
Financial income	4	2.689.779	2.093.503
Financial expenses	5	-6.263.324	-6.823.558
Profit/loss before tax		-3.164.411	-31.255.481
Tax on profit/loss for the year	6	0	-5.159.697
Net profit/loss for the year		-3.164.411	-36.415.178

Distribution of profit

	2015 DKK	2014 DKK
Proposed distribution of profit		
Proposed dividend for the year	0	0
Retained earnings	-3.164.411	-36.415.178
	-3.164.411	-36.415.178

Balance Sheet 31 December

Assets

	<u>Note</u>	<u>2015</u> DKK	<u>2014</u> DKK
Other fixtures and fittings, tools and equipment		17.092.843	11.579.056
Property, plant and equipment	7	<u>17.092.843</u>	<u>11.579.056</u>
Fixed assets		<u>17.092.843</u>	<u>11.579.056</u>
Trade receivables		187.351.074	264.676.444
Receivables from group enterprises		23.121.709	20.569.691
Other receivables		3.160.756	6.600.546
Corporation tax		1.266.138	3.719.205
Prepayments		1.896.581	2.553.191
Receivables		<u>216.796.258</u>	<u>298.119.077</u>
Cash at bank and in hand		<u>88.533.737</u>	<u>70.933.093</u>
Currents assets		<u>305.329.995</u>	<u>369.052.170</u>
Assets		<u>322.422.838</u>	<u>380.631.226</u>

Balance Sheet 31 December

Liabilities and equity

	Note	2015 DKK	2014 DKK
Share capital		5.500.000	5.500.000
Retained earnings		3.290.112	6.454.523
Equity	8	8.790.112	11.954.523
Trade payables		24.660.309	32.306.682
Payables to group enterprises		260.876.343	312.407.985
Corporation tax		0	75.883
Other payables		28.096.074	23.886.153
Short-term debt		313.632.726	368.676.703
Debt		313.632.726	368.676.703
Liabilities and equity		322.422.838	380.631.226
Contingent assets, liabilities and other financial obligations	9		
Related parties and ownership	10		

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 94.8 million as of 31 December 2015 and intercompany trade payables amounting to 166.1 million as of 31 December 2015. The creditfacilities 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 88.5 million as of 31 December 2015 and a prolongation of a contract with a major customer Management assesses that Deutsche Telekom AG, as in previous years, will continue to support the Company with sufficient liquidity and that the intercompany loans and intercompany trade payables of DKK 260.9 million not will be called unless the liquidity position of T-System Nordic A/S is adequate to justify such repayment. Management assesses on this basis, capital resources to be satisfactory and present the Financial Statements, under the precondition of continued operation.

	<u>2015</u> DKK	<u>2014</u> DKK
2 Revenue		
Geographical segments		
Revenue	<u>516.934.220</u>	<u>507.502.074</u>
	<u>516.934.220</u>	<u>507.502.074</u>

In accordance with the Danish Financial Statements Act §96, 3 the company has omitted information on segments as this information is included in the consolidated financial statements for Deutsche Telekom AG where the financial statements for the company is consolidated in full.

3 Staff expenses

Wages and salaries	39.817.274	42.123.218
Pensions	4.680.898	3.612.133
Other social security expenses	<u>3.480.233</u>	<u>5.971.588</u>
	<u>47.978.405</u>	<u>51.706.939</u>
Average number of employees	<u>50</u>	<u>49</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Notes to the Financial Statements

	2015	2014
	DKK	DKK
4 Financial income		
Other financial income	314.999	369.133
Exchange gains	2.374.780	1.724.370
	2.689.779	2.093.503
5 Financial expenses		
Interest paid to group enterprises	2.738.956	2.756.207
Other financial expenses	46.791	145.729
Exchange adjustments, expenses	3.477.577	3.921.622
	6.263.324	6.823.558
6 Tax on profit/loss for the year		
Current tax for the year	0	0
Deferred tax for the year	0	3.999.465
Adjustment of tax concerning previous years	0	1.160.232
	0	5.159.697

Notes to the Financial Statements

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	<u>DKK</u>
Cost at 1 January	99.181.084
Additions for the year	13.491.185
Disposals for the year	<u>-972.158</u>
Cost at 31 December	<u>111.700.111</u>
Impairment losses and depreciation at 1 January	87.602.028
Depreciation for the year	<u>7.005.240</u>
Impairment losses and depreciation at 31 December	<u>94.607.268</u>
Carrying amount at 31 December	<u>17.092.843</u>
Depreciated over	<u>3-5 years</u>

Notes to the Financial Statements

8 Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	5.500.000	6.454.523	11.954.523
Net profit/loss for the year	0	-3.164.411	-3.164.411
Equity at 31 December	5.500.000	3.290.112	8.790.112

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

The share capital has developed as follows:

	2015	2014	2013	2012	2011
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January	5.500.000	5.500.000	5.500.000	5.500.000	5.500.000
Capital increase	0	100	100	0	0
Capital decrease	0	-100	-100	0	0
Share capital at 31 December	5.500.000	5.500.000	5.500.000	5.500.000	5.500.000

Accounting Policies

Basis of Preparation

The Annual Report of T-systems Nordic A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015 are 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.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, herunder afskrivninger, nedskrivninger og hensatte forpligtelser samt tilbageførsler som følge af ændrede regnskabsmæssige skøn af beløb, der tidligere har været indregnet i resultatopgørelsen.

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

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

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

Accounting Policies

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

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

Accounting Policies

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 consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

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

Other external expenses

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

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise.

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

Accounting Policies

Balance Sheet

Property, plant and equipment

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

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

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

Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	3-10	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

Impairment of fixed assets

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

If so, the asset is written down to its lower recoverable amount.

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

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Accounting Policies

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.

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.

Financial debts

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

Financial Highlights

Explanation of financial ratios

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