

T-Systems Nordic A/S

Lautrupvang 8
DK-2750 Ballerup
CVR no. 14 81 52 44

Annual report for 2020

Adopted at the annual general
meeting on 30 June 2021

chairman

Casper Malig

Table of contents

	Page
Statements	
Statement by management on the annual report	1
Independent Auditor's Report	2
Management's review	
Company details	5
Financial highlights	6
Management's review	7
Financial statements	
Accounting policies	17
Income Statement 1 January - 31 December	22
Balance sheet 31 December	23
Statement of changes in equity	25
Notes to the annual report	26

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 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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, 30 June 2021

Executive board

Jesper Kryhlmand
CEO

Supervisory board

Casper Malig
Chairman

Bernhard Josef Fohringer

Thomas Deeg

Christian Lukas Eigenmann

Jesper Kryhlmand

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 financial position of the Company at 31 December 2020, and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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 2020, which comprise 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, 30 June 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Leif Ulbæk Jensen
State Authorised Public Accountant
mne23327

Company details

The company

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

Telephone: +45 70 12 26 26

CVR no.: 14 81 52 44

Reporting period: 1 January - 31 December 2020

Domicile: Ballerup

Supervisory board

Casper Malig, chairman
Bernhard Josef Fohringer
Thomas Deeg
Christian Lukas Eigenmann
Jesper Kryhmand

Executive board

Jesper Kryhmand

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:

	2020	2019	2018	2017	2016
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Revenue	282.484	512.581	509.532	549.899	568.893
Gross profit	54.962	94.122	43.360	68.510	84.626
Profit/loss before net financials	872	17.091	-27.948	4.373	23.948
Net financials	-1.552	-3.390	-5.431	-5.264	-2.774
Profit/loss for the year	-9.687	7.677	-34.777	-956	20.002
Balance sheet total	170.779	285.799	287.075	348.779	367.170
Investment in property, plant and equipment	2.687	5.672	6.270	17.024	8.741
Equity	1.705	16.712	8.032	28.333	29.199
Number of employees	43	55	56	54	51
Financial ratios					
Gross margin	19,5%	18,4%	8,5%	12,5%	14,9%
EBIT margin	0,3%	3,3%	-5,5%	0,8%	4,2%
Return on assets	0,4%	6,0%	-8,8%	1,2%	6,9%
Solvency ratio	1,0%	5,8%	2,8%	8,1%	8,0%

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

Introducing T-Systems

With a presence in over 20 countries, 29,000 employees and revenues of 4,2 billion Euro (2020), European-based T-Systems is one of the world's leading providers of digital services. T-Systems supports its customers in successfully managing their digital transformation and helps them realize their full potential through digitization. The focus here is on cloud services: T-Systems offers and operates a full range of cloud solutions. All DAX 30 companies in Germany and 100 of the top Fortune 500 companies worldwide trust T-Systems and rely on its IT services.

As a subsidiary of Deutsche Telekom, T-Systems offers everything from a single source: from the secure operation of legacy systems and traditional ICT services, to the transition to cloud-based services (including international networks, customized infrastructure, platforms and software) and innovative new technologies. These include the Internet of Things, blockchain and artificial intelligence (AI), where T-Systems partners with leading technology firms from around the world. Read more about our company under: <https://www.t-systems.com/dk/en>.

T-Systems: A full service digitalization partner for companies with presence in Northern Europe and beyond

To ensure that client's stays up to date in this fast paced digital age, T-Systems have designed an integrated portfolio with a focus on four areas – Digitalization, Cloud & Infrastructure, Security and Connectivity (see also below). With our integrated approach, we support client's transformation with high-performing assets, or a real end-to-end and scalable digitalization process.

Our areas of expertise represent a varied ecosystem of manufacturers and providers that help to build on existing technologies, to provide a strong foundation and integrate innovation successfully. And with the right orchestration and optimized cloud applications, we develop digital solutions tailored to company's needs to accelerate their business success.

1. Digitalization and Digital Transformation

Digitalization and digital transformation, also referred to as "digitalization 4.0", goes far beyond innovative technologies. It includes new business models and precise analyses using data science as well as unique customer experiences and improved processes.

Companies wondering how to create an agile organization to better adapt to volatile markets, or how production processes can be improved with the help of the Internet of Things, might see T-Systems is the right partner.

If you want to stay afloat in business from a digital perspective implementation is ideally handled by a single digital partner. We meet this challenge with our integrated T-Systems approach. Digitalization is one of our four core competencies to help lead your project to success. Complexity is reduced through agile and flexible project work, which can be implemented end-to-end.

Management's review

2. Cloud & infrastructure: More growth, efficiency, and new business models

Cloud solutions transport the data from myriad sources and sensors safely to T-Systems' data centers, where clients can use the accumulated information for analysis. That provides a firm foundation for both new and existing business models. As enterprises transfer more and more processes and applications to the cloud, the complexity of IT infrastructure increases. Compliance and security regulations limit certain applications to be run in the private cloud while innovative features are tested in the public cloud. T-Systems reduces this complexity for clients with Managed Cloud Services that include consultancy, configuration and operation of cloud landscapes.

Many of T-Systems' cloud products are available from the House of Clouds, the byname for the company's high-performance data center in Biere, Magdeburg. Together with various partner companies, including industry leaders such as Microsoft Azure, AWS, Salesforce and VMware, T-Systems offers clients the full array of different cloud models, whether it's private, public, or hybrid cloud including the Open Telekom Cloud, a public cloud service which of course conforms to the strict European general data protection regulation (GDPR).

3. Security: Comprehensive solutions for organizations of tomorrow

Cloud computing, mobile solutions and big data all pose entirely new challenges for IT security. What is more, cyberattacks on corporate networks and IT systems are getting even more sophisticated and have become a huge threat to the economy. Data privacy and data security are therefore vital for success in all areas of technical development. Excellence in the protection of data and technical infrastructure, acquired over decades, is thus also available as a service for business customers.

To this end, Deutsche Telekom is continuously adapting its Magenta Security portfolio to changing requirements. Furthermore, Telekom Security operates its own integrated Cyber Defense and Security Operation Center (SOC) in Bonn. The defense center is the largest and most comprehensive in Europe. The SOC analyses up to 2.5 billion security-relevant events per day in more than 3,300 data sources, thanks to the help of artificial intelligence.

In addition, T-Systems launched its zero-outage quality program to ensure the uninterrupted availability of its systems and infrastructure. It also established an ecosystem of partners who are all committed to the zero-outage principle and comply with shared quality management standards.

Management's review

4. Connectivity: The basis for digitalization

Deutsche Telekom is constantly refining its network infrastructure as the motor of digitization and invests billions of euros for this purpose every year. Next-generation networks (NGN) and all-IP networks make it possible for companies to offer their services and applications over the Internet using new business models. We have created a NarrowBand IoT network in eight European countries.

5G - the next generation of mobile communications - will be rolled out gradually. For large companies, coverage on campus, including production sites, is becoming increasingly important in addition to nationwide coverage. This can already be guaranteed today for 4G and in the future for 5G with the necessary quality parameters. With 5G Campus Networks, T-Systems guarantees its clients a complete solution comprising mobile and fixed network connectivity, security, edge or cloud computing, digitization applications (industry 4.0).

Furthermore, we focus on the development of managed SD-WAN solutions - based on technologies from market-leading SD-WAN partners. The T-Systems IP-VPN platform IntraSelect will be extended by SD-WAN functionalities. This creates an end-to-end solution for large companies with complex network requirements. Standardized solutions are also offered as managed SD-WAN overlay services.

Recognition and measurement uncertainties

Refer to note 2 in the annual report for a description of uncertainties regarding measurement and recognition.

Financial Review

TC Carve-Out Project

Deutsche Telekom helps corporate customers of all sizes and in all industries on their digitization journeys. Our entire Group stands behind this strategy, implemented for the Telecommunication and IT market.

In 2020, Deutsche Telekom has changed the "Telecommunications" (TC) business area. The services for fixed network, network infrastructure and mobile communications for business customers and large enterprises will be provided from one dedicated, consolidated Group portfolio. With the start of the second half year of 2020, Deutsche Telekom has combined all entire range of telecommunications services into the management of Telekom Deutschland (TDG) in separate Legal Entity in the Nordics. This applies to all business customers from the private and public sectors in Germany and around the globe. It also applies to all partners and suppliers with whom we operate an ecosystem of technological platforms and services for you.

Management's review

Starting in July 2020, T-Systems has focused its full attention on the growth areas of digitization and information technology (IT) solutions for corporate customers. These include cloud services, Internet of Things, IT infrastructure, software management and security. The matching connectivity solutions will certainly remain available to our corporate customers. We are continuing the IT business in TDG's business customer segment as usual.

As part of the reorganization of our telecommunications services, a new Legal Entity Deutsche Telekom Nordic A/S was founded. Approx. 50% of the whole business was transferred into the new Entity incl. Assets and transfer of employees. A new Management was installed and is fully P&L responsible for the Entity Deutsche Telekom Nordic A/S.

2020 in a financial Nutshell

Group wide our 2020 financial year was dominated by business development, TC-Carve-Out, merger of T-Systems Nordic and T-Systems Limited (UK) into a central managed Northern Europe Region and the Corona pandemic.

The main focus was to consolidate and streamline all Sales, Delivery and Supporting functions into an efficient and powerful organization to enable our growth strategy in our region.

Investments in growth areas and innovation fields (such as a broad range of digital solutions, public cloud services, the Internet of Things (IoT), and security) create the basis for us to continue to focus our segment strategy on a sustainable shift into strategic growth areas.

With this in mind, we are executing a comprehensive transformation program, launched in 2018, under which we realigned our organization and workflows, adjusted capacities, and developed a new strategy for our services and solutions portfolio - consistent with our efforts to implement the T-System Group's strategy pillars "Lead in business productivity".

T-Systems Nordic A/S contributed to the success of T-Systems International and Deutsche Telekom AG and delivered on all main KPI's. As such, the financial year 2020 was a strong year for the entity also after the Carve-Out of the Telecommunication business.

At a glance, we developed our existing client base and attracted new clients in Denmark, Sweden and Finland while improving our operational performance. On our pure IT Services, we realized a revenue growth of approx. 5.8 % which reached a level above market by 2.5 – 3.0%. This follows the direction, which was set by the new regional management setup in 2020, supported by the change in our international organization and a redefined growth strategy for the region Northern Europe.

The management team has implemented organizational changes and we expect to re-iterate the focus on business development within T-Systems Northern Europe for further growth in 2021 and the years to come.

Management's review

The company's income statement for the year ending December 31st, 2020 shows a net loss DKK 9.687 k and the balance sheet at December 31st, 2020 shows shareholders' equity of DKK 1.705 k.

Management is aware of the equity level and with the expected business development in 2021 a full recovery is planned by end of the new financial year.

Annual Report 2020 of Deutsche Telekom AG

The 2020 annual report from Deutsche Telekom can be downloaded here:

<https://www.telekom.com/en/investor-relations/publications/financial-results/financial-results-2020>

Telekom realigns telecommunications for business customers

As of July 1st, 2020, we have transferred/integrated our entire range of telecommunications services into the management of Telekom Deutschland (TDG). This applies to all business customers from the private and public sectors in Germany and around the globe. It also applies to all partners and suppliers with whom we operate an ecosystem of technological platforms and services for you.

It is our mission to always offer the best ICT services on the market worldwide and we will further increase our innovative strength and quality by:

- Regarding telecommunications (TC), the know-how and processes of Telekom Deutschland and T-Systems will flow seamlessly into each other.
- Interfaces between Group segments are eliminated, and service processes are made consistent.
- Our service management crosses the boundaries of departments and countries.
- All units for telecommunications are moving closer together, with the path from sales to production getting shorter.

T-Systems have prioritized high-demand growth areas of digitization and information technology (IT) solutions for corporate customers, in which we are investing heavily. These solutions will include cloud services, Internet of Things, IT infrastructure, software management and security. The matching connectivity solutions will certainly remain available to our corporate customers. In this way, we are developing T-Systems into an even more agile and innovative partner. Of course, IT customers in Telekom Deutschland's business customer segment will also benefit from this.

Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Management's review

Market, Outlook and Strategy

The economic and political situation in the Nordic and Baltic markets remain stable and gives trust to increase business within the region, however, pressure and intense competition are expected to persist.

The global coronavirus pandemic has affected the national economies significantly during 2020. Particular the service industries have struggled due to lockdowns. Growth is expected to return in 2021 but timing is characterized by great uncertainty as Europe continuously is experiencing new waves of Covid-19. The success of the European vaccination program will affect how and when the national economies can flourish.

The Corona pandemic has accelerated the already ongoing digitalization in the public and private sector as organizations need to offer remote working possibilities to their employees. Furthermore, the global health crisis has enforced the need for digital business models, illustrated by a significant growth in online grocery shopping in the Danish market during the pandemic.

According to external research , enterprises are accelerating their digital business. Digital business is about driving revenue from digital sales (digital transformation) and about optimizing processes (core and support) through digital means (digital optimization). In this aspect, the Nordic market is slightly ahead of many regions worldwide in maturity of their digital initiatives.

Hence, digital business development is a top priority in the Nordic and Baltic markets. Companies are now changing their business models in response to market forces, and they see information technology and communication (ICT) as key to enabling their transformation. In this transformation, time to market and agility become key objectives and thus many companies continue to shift the IT spend from on-premises legacy to new technologies that are based on consumption-based pricing models and delivered as a service (XaaS).

Traditional IT business is expected to decline due to price competition and transformation to new technologies, resulting in market growth in cloud services, cyber security, data and analytics and modern applications. In view of this, T-Systems continue planning to invest in our growth portfolios – especially in digitalization, cloud services, smart network solutions, and cyber security.

Management's review

From a regional perspective, T-Systems are in the middle of a growth strategy phase and will continue the path chosen for the years to come. Hence, T-Systems Nordic A/S (as part of the new T-Systems Northern Europe entity) shall continue to bring to market innovative and compelling digital, cloud and infrastructure, connectivity, and security solutions and services to help streamline and improve performance across companies, thereby strengthening agility and security, while simplifying new technology within their existing infrastructure. Competencies are bonded together in our four focus areas of Digital Solutions, Cloud and Infrastructure, Connectivity, and Security to create value for clients in the region. All forward looking activities across the region will support the overall T-Systems Group strategy to become a world-leading digital transformation partner.

From Nordic to Northern Europe – new regional entity

As per January 1st 2020 we launched T-Systems Northern Europe as a single region under a single leadership team, which combines the strengths of T-Systems in the Nordic and Baltic countries, the United Kingdom and Ireland. The main driver is to support our clients successfully digitize their business – today and in the future.

Corona virus / Covid-19

The corona virus has changed our everyday life, both privately and professionally, and continues to do so. 2020 was significantly affected by the pandemic particular with the second wave in the late fall. While many countries in Europe have experienced devastating situations with thousands of casualties as a result, the Nordic region has in general managed the Corona pandemic well compared to other parts of the world with less deaths.

The measures vary from country to country, and governments are taking new decisions on how best to tackle the crisis daily. With the roll-out of the European vaccination program in 2021, the situation is expected to gradually become normalized. We are managing the exceptional situation centrally, as far as possible, for example with our Group Situation Center. For practical reasons, however, decisions on protective and safety precautions are in the hands of local management, enabling us to react quickly and appropriately.

As a Group, Deutsche Telekom has already established several rules of conduct. Each unit in T-Systems has a focal point of contact, typically our security officers that are the official communication channel between business units and headquarters.

Management's review

Business Continuity in practice

The health of employees, clients and partners is our top priority. As a provider of critical infrastructure for Deutsche Telekom's corporate customers, we must at the same time do everything in our power to ensure business continuity at T-Systems and for our clients. After all, public life depends on it. That is why we have drawn up "Business Continuity plans" for all business areas that are critical.

For example, our team in the Security Operations Center continues to work on site around the clock, 24/7, but in separate groups and rooms. We have made the tasks of the Emergency Response Team and the Group Situation Center remote-capable, so that employees can perform these tasks almost entirely whilst working from home. We take a similar approach in our data centers and call centers.

Now that the whole world uses more and more digital services, we need to get even closer to our clients. In this stressful situation, we need to show our clients that we're here for them, even if personal social contact is to a large extent missing. Many clients are now asking for more bandwidth or want to quickly upgrade collaboration tools. This is where we need to be particularly flexible.

In this extraordinary situation, the T-Mindset is our special strength: we help each other, take care of each other, find pragmatic solutions, and support each other.

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

Read more about our sustainability strategy:

<https://www.telekom.com/en/corporate-responsibility/news-corporate-responsibility/telekom-cr-report-2020-623496>

Management's review

Foreign branches

Denmark - The performance and the financial result in our Danish entity is in line with our expectation. We were able to win a new global acting client in Denmark, which will help us continue our growth strategy. In addition, we developed our existing client base and enhanced the potential for future up- and cross-selling.

Sweden - The achievement of our Swedish branch was mainly influenced by the Carve-Out project and the transfer of our biggest TC customer into Deutsche Telekom A/S. Nevertheless, we were able to renegotiate some contracts of our customer base in our Swedish Branch, which will be positively affected in the future. Furthermore, we focused on developing the existing customer base to increase the future potential of up- and cross-selling.

Finland - Overall the result of our Finnish branch was a success and in line with our expectations. The entity managed to stabilize and further develop its relations with existing clients and initiated successful steps towards further growth in the Finnish market. As a result, in line with our strategy, we were able to prolong contracts with two important clients.

Norway - Our business in Norway was stable and continues the level of the last years. Main part of the business was transferred to Deutsche Telekom Nordic A/S.

Estonia/Latvia/Lithuania - The business in the Baltic countries was with the start of July 2020 fully transferred to Deutsche Telekom Nordic A/S

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 2020 sustainability report may be downloaded on this link:

<https://www.cr-report.telekom.com/site21/>

Management's review

Embracing diversity

Description of policies for the underrepresented gender

Description of how the company translates its policies on the underrepresented gender into action

For over a decade now, Deutsche Telekom and all consolidated subsidiaries have sustainably and comprehensively supported diversity throughout the Group. Deutsche Telekom integrates all aspects of diversity and reinforces them with a host of flagship projects.

Just as much as demographic developments and different perceptions of roles, social trends such as globalization must not lead to certain groups being shut out of the labor market.

Equal opportunities are essential for social stability and business alike. Respecting human individuality and harnessing individuals' distinctive traits for joint success is just as important for our Group as developing a shared identity. A Culture & Diversity team, based in the HR Development unit, was created specifically for this task.

Women and men, young and old, as well as people with different abilities and cultural backgrounds from roughly 150 countries work together very effectively at our company. This diversity helps us remain competitive around the world with good ideas and outstanding products and consolidate our position as an attractive employer.

Developments in the proportion of women in leadership positions and serving on the supervisory boards are reported to and discussed in-depth by the Board of Management every six months, while the age structure and internationality of the workforce is recorded on an annual basis in our Personnel Structure Report. For us, diversity also means offering our employees numerous opportunities to develop personally and grow professionally, regardless of their gender, age, sexual preference, health situation, ethnic background, religion, or culture.

Our Group-wide Diversity Policy, five Guiding Principles, the Employee Relations Policy, and Code of Human Rights & Social Principles form the foundation of our commitment to diversity. We are also a founding member of the corporate Diversity Charter initiative and strive to promote diversity within and outside of our company. We meet the requirements set out in the Act to Promote Transparency of Pay Structures by publishing a remuneration report every five years.

Accounting policies

The Annual Report of T-Systems Nordic A/S for 2020 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 2020 is presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of 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 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 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 installments 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 is presented and which confirm or invalidate matters existing at the balance sheet date.

Leases

All 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.'

Accounting policies

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 instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under '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.

Expenses for service purchases

Expenses for service purchases 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.

Accounting policies

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, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity 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.

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	3-15 years

Depreciation period and residual values are reassessed annually.

Assets costing less than DKK 14.100 are expensed in the year of acquisition.

Useful life incl. residual values are reassessed annually.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is tested 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.

Accounting policies

Prepayments

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

Equity

Dividends

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.

Income tax and deferred tax

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.

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.

Liabilities

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

Accounting policies

Financial highlights

Definitions of financial ratios.

Gross margin ratio	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
EBIT margin	$\frac{\text{Profit/loss before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$
Equity ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets at year-end}}$

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2020</u> TDKK	<u>2019</u> TDKK
Revenue		282.484	512.581
Other operating income		25.291	28.927
Expenses for service purchases		-233.196	-417.613
Other external expenses		-19.617	-29.773
Gross profit		54.962	94.122
Staff costs	4	-52.099	-68.032
Earnings Before Interest Taxes Depreciation and Amortization		2.863	26.090
Depreciation of property, plant and equipment		-1.991	-8.999
Profit/loss before net financials		872	17.091
Financial income		-19	11
Financial costs	5	-1.533	-3.401
Profit/loss before tax		-680	13.701
Tax on profit/loss for the year	6	-9.007	-6.024
Profit/loss for the year		-9.687	7.677
Distribution of profit	7		

Balance sheet 31 December

	<u>Note</u>	<u>2020</u> TDKK	<u>2019</u> TDKK
Assets			
Other fixtures and fittings, tools and equipment		4.144	18.371
Tangible assets	8	4.144	18.371
Deposits		1.277	1.263
Fixed asset investments		1.277	1.263
Total non-current assets		5.421	19.634
Trade receivables		97.383	123.783
Receivables from group enterprises		28.146	24.491
Other receivables		705	2.244
Corporation tax		6.496	2.994
Prepayments		566	2.350
Receivables		133.296	155.862
Cash at bank and in hand		32.062	110.303
Total current assets		165.358	266.165
Total assets		170.779	285.799

Balance sheet 31 December

	<u>Note</u>	<u>2020</u> TDKK	<u>2019</u> TDKK
Equity and liabilities			
Share capital		5.500	5.500
Retained earnings		<u>-3.795</u>	<u>11.212</u>
Equity	9	<u>1.705</u>	<u>16.712</u>
Other payables		<u>4.015</u>	<u>1.518</u>
Total non-current liabilities	11	<u>4.015</u>	<u>1.518</u>
Trade payables		962	13.124
Payables to group enterprises		126.980	195.217
Corporation tax		3.247	2.951
Other payables		<u>33.870</u>	<u>56.277</u>
Total current liabilities		<u>165.059</u>	<u>267.569</u>
Total liabilities		<u>169.074</u>	<u>269.087</u>
Total equity and liabilities		<u>170.779</u>	<u>285.799</u>
Capital Resources	1		
Uncertainties regarding measurement and recognition	2		
Significant events occurring after the end of the financial year	12		
Rent and lease liabilities	13		
Contingent liabilities	14		
Related parties and ownership structure	15		
Fee to auditors appointed at the general meeting	16		

Statement of changes in equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January 2020	5.500	11.212	16.712
Carved out	0	-4.646	-4.646
Currency adjustment	0	-674	-674
Net profit/loss for the year	0	-9.687	-9.687
Equity at 31 December 2020	5.500	-3.795	1.705

Notes

1 Capital Resources

The activities of T-Systems Nordic A/S have in several years been financed by short term intercompany loans amounting to DKK 64.9 million as of 31 December 2020 (31 December 2019: DKK 87,2 million). 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 32.1 million as of 31 December 2020 (31 December 2019: DKK 110,3 million) 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 126,9 million not will be called unless the liquidity position of T-Systems 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. Decrease in capital on bank is due to partly repayment of intercompany loan.

The Company has lost more than half of its share capital. The company is therefore covered by the Companies Act's rules on capital losses. It is management's assessment that the share capital will be restored in the future by capital contributions, earnings or a combination thereof.

2 Uncertainties regarding measurement and recognition

The demerger of T-Systems Nordic as of 01 January 2020 where net assets was transferred to Deutsche Telekom Nordic A/S was done as a tax-exempt merger. There is an on-going dialogue with the Danish Tax Authorities about the conditions for the de-merger and that these conditions has been met. If the Tax Authorities assesses that the conditions not has been fulfilled it is likely that a current tax for the Company has to be recognized. Based on the dialogue with the Danish tax authorities regarding the demerger of T-systems Nordic A/S as of 1 January 2020 there is no indications that the conditions for a tax exempt demerger has not been fulfilled for transferring net assets from T-systems Nordic A/S to Deutsche Telekom Nordic A/S and Financial Statements has been prepared on this basis.

Notes

3 Information on segments

Geographical segments (TDKK)

	Denmark	Sweden	Finland	Norway	Estonia	Latvia	Lithuania	Total
2020								
Revenue	51.203	99.189	130.531	1.561	0	0	0	282.484
2019								
Revenue	64.006	280.119	157.513	8.822	675	794	652	512.581

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

4 Staff costs

	2020 TDKK	2019 TDKK
Wages and salaries	46.234	58.775
Pensions	4.394	4.892
Other social security costs	1.471	4.365
	52.099	68.032
Average number of employees	43	55

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.

There has been no remuneration to the Supervisory Board.

5 Financial costs

Financial expenses, group entities	413	273
Other financial costs	567	465
Exchange loss	553	2.663
	1.533	3.401

Notes

	<u>2020</u> TDKK	<u>2019</u> TDKK
6 Tax on profit/loss for the year		
Current tax for the year	4.551	6.024
Deferred tax for the year	-19	0
Adjustment of tax concerning previous years	4.475	0
	<u>9.007</u>	<u>6.024</u>
7 Distribution of profit		
Retained earnings	<u>-9.687</u>	<u>7.677</u>
	<u>-9.687</u>	<u>7.677</u>

Notes

8 Tangible assets

	Other fixtures and fittings, tools and equipment
	<u>TDKK</u>
Cost at 1 January 2020	107.496
Net effect from demerger	-92.349
Currency correction of beginning in local currencies	-376
Additions for the year	<u>2.687</u>
Cost at 31 December 2020	<u>17.458</u>
Impairment losses and depreciation at 1 January 2020	89.126
Net effect from demerger	-79.682
Currency correction of beginning in local currencies	1.878
Depreciation for the year	<u>1.992</u>
Impairment losses and depreciation at 31 December 2020	<u>13.314</u>
Carrying amount at 31 December 2020	<u>4.144</u>
Depreciated over	<u>3-5 years</u>

9 Equity

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

There have been no changes in the share capital during the last 5 years.

Notes

10 Deferred tax asset

Total deferred tax asset is estimated at approximately DKK 53,3 million of which DKK 48,6 million relates to tax loss carried forward (2019: DKK 50.8 million of which DKK 44.6 million relates to tax loss carried forward) (calculated at a tax rate of 22 pct.). Of the total deferred tax asset, DKK 0 (2019: DKK 0) has been recognised as of 31 December 2020.

11 Long term debt

	<u>2020</u> TDKK	<u>2019</u> TDKK
Other payables		
Between 1 and 5 years	<u>4.015</u>	<u>1.518</u>
Non-current portion	<u>4.015</u>	<u>1.518</u>
Other short-term other debt	<u>33.870</u>	<u>56.277</u>
Current portion	<u>33.870</u>	<u>56.277</u>
	<u>37.885</u>	<u>57.795</u>

12 Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Notes

	<u>2020</u>	<u>2019</u>
	TDKK	TDKK
13 Rent and lease liabilities		
Obligations according to operational leasing contracts relating to cars and other equipment	1.543	1.819
Rent obligations	1.215	2.719
Operating lease liabilities.		
Total future lease payments:		
Within 1 year	2.052	2.558
Between 1 and 5 years	<u>706</u>	<u>980</u>
	<u>2.758</u>	<u>3.538</u>

14 Contingent liabilities

The company is jointly taxed with Deutsche Telekom Nordic A/S, and jointly and severally liable with other jointly taxed entities for payment of income taxes as well as for payment of withholding taxes on dividends, interest and royalties.

The Company has a non recognized tax asset on DKK 50,8 million mainly relating to tax losses carried forward.

Notes

15 Related parties and ownership structure

Controlling interest

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

Transactions

Transactions with related parties has been carried out at arm's length terms.

Consolidated financial statements

The company is included in the consolidated financial statements of the parent company.

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

16 Fee to auditors appointed at the general meeting

With reference to section 96(3) of the Danish Financial Statement Act, audit fees are not disclosed.