

T-Systems Nordic A/S

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

Annual Report for 2019

Adopted at the Annual General
Meeting on 9 June 2020

Chairman

Casper Malig

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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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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, 9 June 2020

Executive Board

Jesper Kryhlmand
CEO

Board of Directors

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 2019, and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 2019, 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, 9 June 2020

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 2019

Domicile: Ballerup

Board of Directors

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:

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------|---------|---------|---------|---------|
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| Key figures | | | | | |
| Revenue | 512.581 | 509.532 | 549.899 | 568.893 | 516.934 |
| Gross profit | 94.122 | 43.360 | 68.510 | 84.626 | 55.393 |
| Profit/loss before net financials | 17.091 | -27.948 | 4.373 | 23.948 | 409 |
| Net financials | -3.390 | -5.431 | -5.264 | -2.774 | -3.574 |
| Profit/loss for the year | 7.677 | -34.777 | -956 | 20.002 | -3.164 |
| Balance sheet total | 285.799 | 287.075 | 348.779 | 367.170 | 322.423 |
| Investment in property, plant and equipment | 5.672 | 6.270 | 17.024 | 8.741 | 13.491 |
| Equity | 16.712 | 8.032 | 28.333 | 29.199 | 8.790 |
| Number of employees | 55 | 56 | 54 | 51 | 50 |
| Financial ratios | | | | | |
| Gross margin | 18,4% | 8,5% | 12,5% | 14,9% | 10,7% |
| EBIT margin | 3,3% | -5,5% | 0,8% | 4,2% | 0,1% |
| Return on assets | 6,0% | -8,8% | 1,2% | 6,9% | 0,1% |
| Solvency ratio | 5,8% | 2,8% | 8,1% | 8,0% | 2,7% |

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

Business Review

Introducing T-Systems

With locations in over 30 countries, 38'000 employees, and an external turnover of 6.8 billion euros (2019), T-Systems is one of the world's leading providers of digital services headquartered in Europe. T-Systems partners up with its clients as they successfully navigate their digital transformation. As a Deutsche Telekom subsidiary, T-Systems offers one-stop shopping: from the secure operation of legacy systems and classical ICT services, the transition to cloud-based services (including international networks, tailored infrastructure, platforms and software) as well as new business models and innovation projects, e.g. in the Internet of Things. Find out more about our company here.

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 analyse 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.

Financial Review

The company's income statement for the year ended 31 December 2019 shows a profit of DKK 7.677.086, and the balance sheet at 31 December 2019 shows equity of DKK 16.711.788.

Group wide the 2019 financial year was dominated by efforts to realign our business. 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 2019 was a strong year for the entity.

Management's review

At a glance, we developed our existing client base and attracted new clients in Denmark, Sweden and Finland while improving our operational performance. This follows the direction, which was set by the new management team in 2018, supported by the change in our international organisation and a redefined growth strategy for the region. The management team has implemented organizational changes and we expect to re-iterate the focus on business development within T-Systems Nordic for further growth in 2020 and the years to come.

Significant events occurring after the end of the financial year

Refer to note 13 for the description of subsequent events.

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.

Expected development of the company, including specific prerequisites and uncertainties Market, Outlook and Strategy

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

Management's review

However, with the coronavirus pandemic an economic crisis started, and we are seeing a decline in commercial activity that is greater than ever. But it is still unclear exactly how deep the crisis will be, and we are unable to predict next year, but expect the economy to normalize but the time horizon is unknown.

The market for IT and Telecommunication is undergoing radical transformation, due to ongoing standardization and automation, demand for smart services, and the changes being wrought by cloud services in outsourcing business.

Today's business processes are digital and globally connected. Demands for transmission speed, user friendliness, and mobile access are increasing. By bringing connectivity and intelligence to the edge, we are seeing companies create new business models, drive new levels of productivity and transform their customers' experience. Companies need to get the most out of their data from any edge to any cloud. This requires a high level of reliability, responsibility and expertise.

Digital business is still a top business priority attracting increased budget and more attention from management 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 the new business models. The best performing organizations adopt product-centric delivery models to deliver better consumer experiences and here is cyber security central to this new model. Many companies continue to shift the IT spend from on-premises legacy to new technologies as several emerging technologies become ripe for adoption.

Technologies that will have the greatest impact includes digital solutions, cloud, mobile, big data and analytics, and Internet of Things (IoT). There is also high expectations for the business value of technologies that are in earlier stages of adoption, such as robotics, cognitive computing/artificial intelligence (AI), 3D printing, augmented reality/virtual reality (AR/VR), and even blockchain.

Traditional IT business is likely to decline due to price competition, while digital, cloud services, mobility, and cyber security may reach double-digit growth. In view of this, we continue to plan to step up investments 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 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 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.

Telekom realigns telecommunications for business customers

From July 1st 2020, we will transfer/integrate 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.

Management's review

Starting in 2020, 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.

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.

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 home-based market. Furthermore, we developed our existing client base to generate the future up- and cross-selling potential.

Sweden: The achievement of our Swedish Branch was mainly influenced by the win of new global acting companies. Also, our Swedish Branch will be positively affected in the future from the effect of the new clients. In addition, we focused to develop the existing customer base to generate future up- and cross-selling potential.

Finland: Overall the result of our Finish 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, out of our strategy we were able to sign contracts with two new clients.

Norway: Our business in Norway was stable and continues the level of the last years. Highlight in the year was the installation of routers on oil rigs/platforms in the Baltic Sea to secure the mobile connection for our DTAG project EAN (European Aviation Network).

Estonia/Latvia/Lithuania: The business in the Baltic countries was in line with our expectations.

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:

Management's review

<https://report.telekom.com/annual-report-2019/>

Annual Report 2019 of Deutsche Telekom AG

Including:

- SUBSTAINALBE DEVELOPMENT GOALS (overview page 30-131)
- CORPORATE RESPONSIBILITY AND NON-FINANCIAL STATEMENT (page 80)

Our Corporate Responsibility

T-Systems Nordic has defined guidelines for our Corporate Responsibility (CSR) efforts and carries out monitoring to ensure progress in relation to the objectives of the various fields. Based on our position as an ICT company, we have a special focus on supporting the Nordic countries to support their status as independent welfare states.

The identified four major themes for our CSR work are:

- Employees Welfare
- Climate & Environment
- Digital Welfare
- Supplier Relationship

The four themes have been selected and will be our focus points for CSR work today and over the coming years.

As the core of our chosen focal areas defined by the T-Systems Nordic Management Board and set out in our Employee Relationship Policy and Social Charter, we intend to create a good working environment with our employees, customers and partners – built on respect, diversity, open-mindedness – motivated and driven by upholding the UN Universal Declaration of Human Rights.

Another element of our building blocks is creating an attractive, engaging and professional working environment. This happens by focusing intensively on equal rights and opportunities for all employees regardless of gender, religion, sexual orientation, race, or political affiliation. We believe that providing equal opportunities free from discrimination and harassment reinforces this. We work extensively to safeguard this in our employee surveys and our employee dialog tool.

Management's review

We see opportunities in digital solutions for a better climate and environment. As an IT vendor, we are naturally extremely interested in the right use of digital opportunities. Our employees work in three out of the seven countries where we are represented, and we have a responsibility to ensure that their relationship and cooperation is optimum. At the same time, we make sure that digital solutions lead to a better quality of daily life, security and flexibility.

We are also very much aware that as a corporate, we have a duty to ensure that our responsible approach to the operation and development of our business does not stop at the doorstep but includes our suppliers and ultimately impresses our customers when we provide them with a service.

Effort and results in 2019:

In respect to human rights, we have further enhanced our governance of personal data with management systems that coordinate the ongoing development of GDPR and privacy regulation across our organization.

In respect to our group-wide diversity policy and five guiding principles, we inform all new employees and update the current employees of our policy's, and we have carried out controls in 2019 and found no breaches.

In respect to the identified building blocks and our employees, we have enabled us to foster an international, appealing and innovative working environment, empower us to better understand the cultural landscape we operate in and give a deeper insight into it. We have seen progress and discovered new opportunities in digital solutions for a better climate and environment. We firmly believe that this led to the creation of higher value added for our employees, customers and partners. We are confident that a diverse organization have produces better business results and promotes a culture of respect. We will continue to focus and upgrade the innovative working environment in 2020.

In respect to anti-corruption and anti-bribery, we inform all new employees of our policy, and we have carried out controls in 2019 and found no breaches.

Management's review

Embracing diversity

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 labour 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.

Management's review

Gender balance in management

T-Systems Nordic set a target in 2019 for gender balance of the company's board of directors. The aim is that the underrepresented gender is never lower than one fifth (20%) of the general meeting elected members before end of 2024. So far, this goal hasn't been reached, since the right candidates haven't been identified, but this has a high attention from the board of directors to be fulfilled inside the given timeframe.

T-Systems Nordic commits to working for equal career opportunities for all employees regardless of gender. In recruiting, training programs etc., T-Systems Nordic will therefore always let talent, skills and qualifications decide who is employed in various positions. According to T-Systems Nordic policies on gender balance, 20% of the staff should be female. In 2019, 22% of the staff was female.

There is established several programs to support our journey for a more equal gender balance in our company at management level even though the ITC sector is more dominated by male.

- Recruiting: We want to be the magnet for global digital talent. A quick digital recruiting process with a positive candidate journey is the key to success here. We offer a global careers website as a platform to search for jobs. By addressing specific target groups, our recruiting strategy also aims to encourage more talented women to join our company. 2019 marked the seventh time that female students of STEM subjects (science, technology, engineering, mathematics) from all over the world were able to compete for our Women's STEM Award. We are also involved in Femtec, a career program for female STEM students, and in the Global Digital Women network.

- Succession management: Our own employees are the most important source of candidates for leadership positions at Deutsche Telekom. In order to proceed in a structured manner, we take a global approach to succession planning. A digital process allows us to plan on an ongoing basis and affords us an overview of potential successors for management positions.

- levelUP!: In the age of digitalization, managers must possess skills and methods that differ greatly from those needed in the analog world. That is why we support our executives with levelUP!, an innovative digital further-training service for successful leadership in the digital age. levelUP! comprises modules that can be combined as required and knowledge is shared primarily via interactive, digital learning formats in combination with classroom training. The first levelUP! program focussed on the topic of Ambidextrous Leadership and in 2019, the levelUP! program underwent a change of content and was given a new title: "Leading Agile".

Management's review

- levelUP!NextGeneration: The huge success of the levelUP! program prompted us to launch a similar program for motivated high potentials in 2019: levelUP!NextGeneration. It's a four-month development program, which utilizes digital learning methods to teach innovative leadership topics and skills.

- skillsUP!: In order to secure the Company's competitiveness and employment, skillsUP! – a successfully piloted strategic skills management program – was further evolved in 2019. In addition to revising task descriptions and skills profiles for qualitative HR planning, and identifying potential retraining measures, the aim of the program is to recognize skills gaps at an early stage and develop tailored training programs. The program is scheduled for rollout in 2020.

Accounting Policies

The Annual Report of T-Systems Nordic A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

Due to changes in internal registrations in the Company's financial reporting system, reclassifications between financial line items in the income statement have been made in the comparative figures for 2018. The reclassifications have no effect on either profit for the year or equity.

Besides from the before-mentioned, the accounting policies applied remain unchanged from last year.

The Annual Report for 2019 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 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.

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

Costs of 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, 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.

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 | 3-15 years |

Depreciation period and residual values are reassessed annually.

Assets costing less than DKK 13.800 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.

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.

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.

Accounting Policies

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.

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.

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 | $\frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$ |
| Solvency 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>2019</u> DKK | <u>2018</u> DKK |
|---|-------------|--------------------|--------------------|
| Revenue | 2 | 512.580.999 | 509.532.437 |
| Other operating income | | 28.926.806 | 22.413.620 |
| Raw materials and consumables | | -417.612.649 | -458.448.161 |
| Other external expenses | | -29.773.180 | -30.137.484 |
| Gross profit | | 94.121.976 | 43.360.412 |
| Staff costs | 3 | -68.031.646 | -61.982.239 |
| Earnings Before Interest Taxes Depreciation and Amortization | | 26.090.330 | -18.621.827 |
| Depreciation of property, plant and equipment | | -8.998.942 | -9.326.637 |
| Profit/loss before net financials | | 17.091.388 | -27.948.464 |
| Financial income | | 11.261 | 48.529 |
| Financial costs | 4 | -3.401.294 | -5.479.572 |
| Profit/loss before tax | | 13.701.355 | -33.379.507 |
| Tax on profit/loss for the year | 5 | -6.024.269 | -1.397.536 |
| Profit/loss for the year | | 7.677.086 | -34.777.043 |
| Distribution of profit | 6 | | |

Balance Sheet 31 December

| | <u>Note</u> | <u>2019</u> DKK | <u>2018</u> DKK |
|--|-------------|---------------------------|---------------------------|
| Assets | | | |
| Other fixtures and fittings, tools and equipment | | <u>18.370.330</u> | <u>21.978.521</u> |
| Tangible assets | 7 | <u>18.370.330</u> | <u>21.978.521</u> |
| Deposits | | <u>1.262.811</u> | <u>1.540.944</u> |
| Fixed asset investments | | <u>1.262.811</u> | <u>1.540.944</u> |
| Total non-current assets | | <u>19.633.141</u> | <u>23.519.465</u> |
| Trade receivables | | 123.783.051 | 125.069.186 |
| Receivables from group enterprises | | 24.492.793 | 28.780.586 |
| Other receivables | | 2.243.711 | 3.528.713 |
| Deferred tax asset | 8 | 0 | 0 |
| Corporation tax | | 2.994.433 | 5.200.830 |
| Prepayments | | <u>2.349.598</u> | <u>9.457.698</u> |
| Receivables | | <u>155.863.586</u> | <u>172.037.013</u> |
| Cash at bank and in hand | | <u>110.302.712</u> | <u>91.518.026</u> |
| Total current assets | | <u>266.166.298</u> | <u>263.555.039</u> |
| Total assets | | <u>285.799.439</u> | <u>287.074.504</u> |

Balance Sheet 31 December

| | <u>Note</u> | <u>2019</u> DKK | <u>2018</u> DKK |
|---|-------------|---------------------------|---------------------------|
| Equity and liabilities | | | |
| Share capital | | 5.500.000 | 5.500.000 |
| Retained earnings | | <u>11.211.788</u> | <u>2.531.839</u> |
| Equity | 9 | <u>16.711.788</u> | <u>8.031.839</u> |
| Other payables | | <u>1.518.014</u> | <u>0</u> |
| Total non-current liabilities | | <u>1.518.014</u> | <u>0</u> |
| Trade payables | | 13.124.400 | 19.452.946 |
| Payables to group enterprises | | 195.216.213 | 214.979.537 |
| Corporation tax | | 2.951.447 | 0 |
| Other payables | | <u>56.277.577</u> | <u>44.610.182</u> |
| Total current liabilities | | <u>267.569.637</u> | <u>279.042.665</u> |
| Total liabilities | | <u>269.087.651</u> | <u>279.042.665</u> |
| Total equity and liabilities | | <u>285.799.439</u> | <u>287.074.504</u> |
| Capital Resources | 1 | | |
| Rental agreements and leases | 10 | | |
| Contingent liabilities | 11 | | |
| Related parties and ownership structure | 12 | | |
| Subsequent events | 13 | | |

Statement of changes in equity

| | <u>Share capital</u> | <u>Retained</u> <u>earnings</u> | <u>Total</u> |
|-----------------------------------|-------------------------|------------------------------------|--------------------------|
| | DKK | DKK | DKK |
| Equity at 1 January 2019 | 5.500.000 | 2.531.839 | 8.031.839 |
| Currency adjustments | 0 | 1.002.863 | 1.002.863 |
| Net profit/loss for the year | 0 | 7.677.086 | 7.677.086 |
| Equity at 31 December 2019 | <u>5.500.000</u> | <u>11.211.788</u> | <u>16.711.788</u> |

Notes

1 Capital Resources

The activities of T-Systems Nordic A/S has in several years been financed by short term intercompany loans amounting to DKK 87.4 million as of 31 December 2019 (31 December 2018: DKK 87,4 million). 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 110.3 million as of 31 December 2019 (31 December 2018: DKK 91,5 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 195.2 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.

2 Information on segments

Split of revenue in acitivites

| kr. | IT Services | Tele- communication | Total |
|-------------|-------------|------------------------|-------------|
| 2019 | | | |
| Revenue | 304.381.634 | 208.199.365 | 512.580.999 |
| 2018 | | | |
| Revenue | 259.414.379 | 250.118.058 | 509.532.437 |

Geographical segments

| DKK | Denmark | Sweden | Finland | Norway | Lithuania | Estonia | Latvia | Total |
|-------------|------------|-------------|-------------|-----------|-----------|---------|-----------|-------------|
| 2019 | | | | | | | | |
| Revenue | 64.005.650 | 280.119.469 | 157.513.135 | 8.822.408 | 651.529 | 675.243 | 793.565 | 512.580.999 |
| 2018 | | | | | | | | |
| Revenue | 55.306.332 | 246.629.845 | 195.407.568 | 9.575.859 | 804.049 | 795.313 | 1.013.471 | 509.532.437 |

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

Notes

| | <u>2019</u> DKK | <u>2018</u> DKK |
|--|--------------------------|--------------------------|
| 3 Staff costs | | |
| Wages and salaries | 58.775.037 | 51.621.046 |
| Pensions | 4.891.986 | 5.254.337 |
| Other social security costs | <u>4.364.623</u> | <u>5.106.856</u> |
| | <u>68.031.646</u> | <u>61.982.239</u> |
| | | |
| Average number of employees | <u>55</u> | <u>56</u> |
| | | |
| According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed. | | |
| | | |
| 4 Financial costs | | |
| Financial expenses, group entities | 272.793 | 1.705.342 |
| Other financial costs | 465.290 | 312.571 |
| Exchange loss | <u>2.663.211</u> | <u>3.461.659</u> |
| | <u>3.401.294</u> | <u>5.479.572</u> |
| | | |
| 5 Tax on profit/loss for the year | | |
| Current tax for the year | <u>6.024.269</u> | <u>1.397.536</u> |
| | <u>6.024.269</u> | <u>1.397.536</u> |

Notes

| | <u>2019</u> DKK | <u>2018</u> DKK |
|--|-------------------------|---|
| 6 Distribution of profit | | |
| Retained earnings | <u>7.677.086</u> | <u>-34.777.043</u> |
| | <u>7.677.086</u> | <u>-34.777.043</u> |
| | | |
| 7 Tangible assets | | Other fixtures and fittings, tools and equipment <u>DKK</u> |
| Cost at 1 January 2019 | | 121.805.850 |
| Currency correction of beginning in local currencies | | -523.881 |
| Additions for the year | | 5.671.700 |
| Disposals for the year | | <u>-19.457.370</u> |
| Cost at 31 December 2019 | | <u>107.496.299</u> |
| Impairment losses and depreciation at 1 January 2019 | | 99.827.329 |
| Currency correction of beginning in local currencies | | -360.677 |
| Depreciation for the year | | 8.998.941 |
| Reversal of depreciation of sold assets | | <u>-19.339.624</u> |
| Impairment losses and depreciation at 31 December 2019 | | <u>89.125.969</u> |
| Carrying amount at 31 December 2019 | | <u>18.370.330</u> |
| Depreciated over | | <u>3-5 år</u> |

Notes

8 Deferred tax asset

Total deferred tax asset is estimated at approximately DKK 50,8 million of which DKK 44.6 million relates to tax loss carried forward (2018: DKK 46,3 million of which DKK 39,2 million relates to tax loss carried forward) (calculated at a tax rate of 22 pct.). Of the total deferred tax asset, DKK 0 (2018: DKK 0) has been recognised as of 31 December 2019.

9 Equity

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

10 Rental agreements and leases

| | <u>2019</u> DKK | <u>2018</u> DKK |
|---|-------------------------|-------------------------|
| Obligations according to operational leasing contracts relating to cars and other equipment | 1.818.688 | 2.213.638 |
| Rent obligations | 2.718.951 | 2.276.193 |
| Operating lease liabilities. Total future lease payments: | | |
| Within 1 year | 2.557.657 | 3.686.555 |
| Between 1 and 5 years | <u>979.982</u> | <u>803.276</u> |
| | <u>3.537.639</u> | <u>4.489.831</u> |

11 Contingent liabilities

Contingent assets

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

Notes

12 Related parties and ownership structure

Controlling interest

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

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

13 Subsequent events

Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company. Management has not subsequently identified any material remeasurements of assets and liabilities.

With the coronavirus pandemic an economic crisis started, and we are seeing a decline in commercial activity that is greater than ever. But it is still unclear exactly how deep the crisis will be, and we are unable to predict next year, but expect the economy to normalize but the time horizon is unknown.

The corona pandemic has not yet materially affected the Company's financial performance.

As per end of June 2020 a demerger of the company is likely to formally be decided and registered. Hereafter T-Systems Nordic A/S activities will only comprise Telecom activities as the IT-cloud service activities will be transferred to the new company Deutsche Telekom Nordic A/S (CVR-nr. 41 0012 75).