

## Verizon Denmark A/S

Roholmsvej 19, 2620 Albertslund  
CVR no. 17 88 90 87

### Annual report 2015 For the year ended 31 December 2015

Approved at the annual general meeting of shareholders on <sup>30 May</sup> 2016

As chairman:



Mikkel Stig Larsen

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## Management's review

### Financial highlights

5 - years summary (in DKK thousands, except per share data):

Key figures (in DKK thousands)	2015	2014	2013	2012	2011
Revenue	289,559	294,317	292,194	306,054	256,893
Gross profit	55,310	65,935	61,549	66,172	62,165
Operating profit/loss	13,802	15,562	6,813	9,033	7,014
Net financials	3,332	2,926	823	389	887
Profit/loss for the year	17,134	18,488	5,990	9,422	7,901
Balance sheet total	271,185	252,417	240,040	231,837	221,959
Investments in fixed assets	4,151	10,837	12,872	9,388	11,893
Equity	209,278	192,144	173,656	167,666	158,244
Average number of employees	31	38	39	45	43
Financial ratios in %					
Gross margin	19.1	22.4	21.1	21.6	24.2
EBIT margin	4.8	5.3	2.3	3.0	2.7
Return on assets	5.3	6.3	2.9	4.0	3.4
Current ratio	349.3	311.4	263.4	260.3	245.3
Equity ratio	77.2	76.1	72.3	72.3	71.3
Return of equity	8.5	10.1	3.5	5.8	5.1

## Management's review

### The company's business review.

The company is a provider of internationally managed IT infrastructure services and IT security services for large companies and global organisations. The business comprises the sale and marketing of IT security and telecommunication solutions, hosting and LAN as well as WAN services. Furthermore, the full transformation and maintenance for the service in operation for these services.

### Recognition and measurement uncertainties

The company has a deferred tax asset which is not recognised, due to the uncertainties of whether Verizon Denmark A/S will earn profits to fully utilise it in the near future. The uncertainty cannot be quantified.

### Financial review

The revenue of Verizon Denmark A/S has decreased from DKK 294 million in 2014 to DKK 290 million in 2015. Revenue decline is mainly caused by price erosion/write down for Danish base clients. The company's income statement for the year ended 31 December 2015 shows a net profit of DKKt 17,134 and the balance sheet at 31 December 2015 shows equity of DKKt 209,278.

### Statutory CSR report

The company has not drawn up any CSR report, as the parent has done so for the entire group. The report is reflected in the parent's annual report and may be downloaded from <https://www.verizon.com/about/responsibility>.

### Account and gender composition of management

The supervisory board consists of 2 men 1 woman, thus the gender split is therefore considered to be balanced, and is expected to be maintained in the future.

The company's management represents 50% female and 50% male, and the gender split is therefore considered to be balanced. This is expected to be maintained in the future.

### Post balance sheet events

No events have occurred after the financial year-end, which could significantly affect the company's financial position.

### Outlook

The company expects a positive development in 2016 and more IT, security and telecommunication services will be implemented in the company's market segment.

## Statement by management on annual report

Today management has discussed and approved the annual report of Verizon Denmark A/S for the financial year 1 January - 31 December 2015.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2015 and of the results of the company's operations for the fiscal year 1 January - 31 December 2015.

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

We recommend the adoption of the annual report and the general meeting

Albertslund, May 24 2016

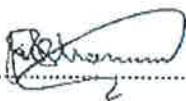
Executive board:



Clare Brenda Aitkenhead



Francesco Cesare De Maio  
Chairman



Johan Coenraad Schoeman



Clare Brenda Aitkenhead

## **Independent auditors' report**

**To the shareholders of Verizon Denmark A/S**

### **Independent auditors' report on the financial statements**

We have audited the financial statements of Verizon Denmark A/S for the financial year 1 January – 31 December 2015, which comprise income statement, balance sheet, [statement of changes in equity], cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

### ***Management's responsibility for the financial statements***

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

### ***Auditors' responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

### ***Opinion***

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

## Continued - Independent auditors' report

### Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 24 May 2016

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR nr. 30 70 02 28



Alex Petersen

State Authorised

Public Accountant

## Income statement for the year ended 31 December

		2015 DKKt	2014 DKKt
Notes			
2	Revenue	289,559	294,317
	Other external expenses	<u>234,249</u>	<u>228,382</u>
	<b>Gross margin</b>	<b>55,310</b>	<b>65,935</b>
3	Staff costs	28,158	37,360
	Depreciation of property, plant and equipment	13,293	12,950
	Other operating expenses	<u>57</u>	<u>63</u>
	<b>Operating profit/loss</b>	<b>13,802</b>	<b>15,562</b>
4	Financial income	3,400	2,944
5	Financial expenses	<u>68</u>	<u>18</u>
	<b>Pre-tax profit/loss</b>	<b>17,134</b>	<b>18,488</b>
	Tax for the year	<u>0</u>	<u>0</u>
	<b>Profit/loss for the year</b>	<b><u>17,134</u></b>	<b><u>18,488</u></b>
<b>Recommended appropriation of the profit/loss for the year</b>			
	Retained earning/accumulated loss	<u>17,134</u>	<u>18,488</u>
		<b><u>17,134</u></b>	<b><u>18,488</u></b>



## Balance sheet at 31 December

Notes		2015 DKKt	2014 DKKt
	<b>Assets</b>		
	<b>Fixed assets</b>		
	Plant and machinery	48,077	48,871
	Other fixtures and fittings, tools and equipment	237	298
	Property, plant and equipment in progress	7,665	16,410
6	<b>Property, plant and equipment</b>	<b>55,979</b>	<b>65,579</b>
	<b>Total fixed assets</b>	<b>55,979</b>	<b>65,579</b>
	Trade receivables	43,828	58,845
	Receivables from group entities	142,435	104,350
7	Prepayments	6,500	10,457
	Other receivables	1,381	938
	<b>Receivables</b>	<b>194,144</b>	<b>174,590</b>
	<b>Cash</b>	<b>21,062</b>	<b>12,248</b>
	<b>Total current assets</b>	<b>215,206</b>	<b>186,838</b>
	<b>Total assets</b>	<b>271,185</b>	<b>252,417</b>

## Balance sheet at 31 December

		2015 DKKt	2014 DKKt
Notes			
	<b>Equity and liabilities</b>		
	<b>Equity</b>		
8	Share capital	1,500	1,500
	Retained earnings/Accumulated loss	207,778	190,644
	<b>Total equity</b>	<b>209,278</b>	<b>192,144</b>
	<b>Provisions</b>		
	Other provisions	290	275
9	<b>Total provisions</b>	<b>290</b>	<b>275</b>
	<b>Liabilities</b>		
	Trade payables	13,991	14,212
	Payables to group entities	37,556	34,822
	Other payables	10,070	10,964
	<b>Short-term liabilities</b>	<b>61,617</b>	<b>59,998</b>
	<b>Total liabilities</b>	<b>61,617</b>	<b>59,998</b>
	<b>Total equity and liabilities</b>	<b>271,185</b>	<b>252,417</b>

## Statement of changes in equity

(DKKt)	Share capital	Retained earnings/accu- mulated loss	Total
Equity at 1/1/ 2015	1,500	190,644	192,144
Profit/loss for the year, cf. appropriation of profit/loss		17,134	17,134
Equity at 31/12/ 2015	1,500	207,778	209,278

## Notes

### 1. Accounting policies

The annual report of Verizon Denmark A/S has been presented in accordance with the provisions of the Danish Financial Statements Act as regards large reporting class C enterprises.

The accounting policies applied by the company are consistent with those of last year.

#### Omission to present a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flows are part of the consolidated cash flow statement for the parent company, Verizon Communication Inc.

#### Reporting currency

The financial statements are presented in Danish kroner.

#### Currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rate at the date of the transaction.

Receivables, payables and other monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rate at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

#### Income statement

##### Revenue

Income from the sale of telecommunication services is recognised in revenue at the time of delivery, provided that the income can be made up reliably and is expected to be received.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

##### Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, 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.

##### Depreciation of property, plant and equipment

The item comprises depreciation of property, plant and equipment.

Property, plant and equipment are depreciated on straight-line basis over the expected useful life of each individual asset. The depreciation basis is the cost.

# 1. Accounting policies continued

The expected useful lives of the asset are as follows:

	<u>Useful life (year)</u>
Plant and machinery	3-40
Other fixtures and fittings, tools and equipment	5-8

## Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

## Balance sheet

### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

### Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value. Provisions are made for bad debts on basis of objective evidence that receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

### Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

### Cash and cash equivalents

Cash comprises cash balances and bank balances.

## Income TAX

Current tax payables and receivables are recognised in the balance sheet as the estimated tax charge in respect of the taxable income for the year, adjusted for tax on prior years taxable income and tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, as well as temporary differences on non-amortisable goodwill.

## Notes

### 1. Accounting policies continued

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same jurisdiction.

### Other payables

Other payables are measured at net realisable value.

### Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation on financial ratios 'Recommendations Financial Ratios 2010', cf. below and

#### Definition of financial ratios:

Gross margin:

$\text{Gross margin} / \text{Revenue} * 100$

EBIT margin:

$\text{Profit/loss from ordinary operating activities} / \text{Revenue} * 100$

Return on assets:

$\text{Profit/loss from ordinary operating activities} / \text{Average assets} * 100$

Current ratio:

$\text{Current assets} / \text{current liabilities} * 100$

Equity ratio:

$\text{Closing equity} / \text{Equity \& liabilities at year-end} * 100$

Return on equity:

$\text{Profit/loss for the year} / \text{Average equity} * 100$

## Notes

### 2. Revenue

The company only operates within one segment

### 3. Staff cost

Analysis of staff costs:

Wages and salaries

Pensions

Other staff costs

2015 DKKt	2014 DKKt
25,490	34,096
2,236	2,675
432	589
<u>28,158</u>	<u>37,360</u>

Average numbers of employees

Number	Number
<u>31</u>	<u>38</u>

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to management is not disclosed

### 4. Financial income

Interest receivable, groups entities

Exchange gain

Other financial income

2015 DKKt	2014 DKKt
515	278
2,879	2,659
6	7
<u>3,400</u>	<u>2,944</u>

### 5. Financial expenses, group entities

Interest expenses, group entities

Other financial expenses

12	9
56	9
<u>68</u>	<u>18</u>

## Notes

### 6. Property, plant and equipment

	Plant and Machinery	Other fixtures and fittings tools and equipment	Property, plant and equipment in progress	Total
<b>Cost</b>				
Balance at 1/1 2015	433,355	11,703	16,410	461,468
Additions in the year	-	-	4,151	4,151
Disposals in the year	1,152	-	-	1,152
Transfer to/from other accounts	12,824	72	12,896	-
Cost as 31/12/2015	445,027	11,775	7,665	464,467
<b>Depreciation and impairment</b>				
Balance at 1/1 2015	384,484	11,405	-	395,889
Depreciation in the year	13,160	133	-	13,293
Reversal of depreciation and impairment losses, disposals	694	-	-	694
Depreciation and impairment losses at 31/12/2015	396,950	11,538	-	408,488
Carrying amount at 31/12 2015	48,077	237	7,665	55,979

### 7. Prepayments

Prepayments of DKKt 3,739 (2014: DKKt 8,485) concerning operation and maintenance, etc. of fibre cables owned by a third party, are included in prepayments

### 8. Share Capital

Analysis of the company's share capital, DKK 1,500 thousand:  
1,500 share(s) of DKK 1,000 each

31/12 2015 DKKt	31/12 2014 DKKt
1,500	1,500
1,500	1,500

The company's share capital has remained unchanged the past 5 years

### 9. Provisions

Other provisions comprise rental costs, etc. for unused leaseholds.



## Notes

### 10. Security for loans

The company has not placed any assets or other as security for loans at 31/12 2015

### 11. Contingent liabilities and other financial obligations

	31/12 2015 DKKt	31/12 2014 DKKt
Other rent and lease liabilities:		
Rent and lease liabilities	6,372	3,984

### 12. Contingent assets

Unrecognised deferred tax asset at 31 December 2015 amount to DKK 45.2 million. The company has not recognised any deferred tax assets in respect of operating losses carried forward as the ultimate utilisation of these losses is uncertain.

### 13. Related parties

Information about related parties with controlling interest:

Related party	Domicile	Basis for control
Verizon Communication Inc.	New York, USA	Ultimate parent company
Verizon European Holdings Limited	Reading, United Kingdom	Parent company

Requisitioning of the financial statements can be found at:  
[beta.companieshouse.gov.uk](http://beta.companieshouse.gov.uk) and [www.verizon.com](http://www.verizon.com)

Information about shareholders holding 5% or more of the share capital or the voting rights

Name	Domicile
Verizon European Holdings Limited	Reading, United Kingdom

### 14. Fee to the auditors appointed by the company in general meeting

	31/12 2015 DKKt	31/12 2014 DKKt
Fee for the statutory audit of financial statements	139	139
Other fees	25	0
	164	139