

Verizon Denmark A/S

Roholmsvej 19, 2620 Albertslund

CVR no. 17 88 90 87

Annual report 2022 for the year ended 31 December 2022

Approved at the annual general meeting of shareholders on 13 June 2023

As chairman:

.....

Jens Steen Jensen

Contents

Statement by the Board of Directors and Executive Board on annual report	1
Independent auditor's report	2
Management's review	5
Financial highlights	5
Financial statements	8
Income statement for the year ended 31 December	8
Balance sheet at 31 December	9
Statement of changes in equity	11
Notes	12 - 21

Statement by the Board of Directors and the Executive Board on annual report

Today the Board of Directors and the Executive Board have discussed and approved the annual report of Verizon Denmark A/S for the financial year 1 January - 31 December 2022.

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 2022 and of the results of the company's operations for the fiscal year 1 January - 31 December 2022.

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

We recommend that the annual report should be approved at the annual general meeting.

Albertslund, 13 June 2023

Executive board:

.....
Clare Brenda Aitkenhead

Board of Directors:

.....
Francesco Cesare De Maio Chairman	Adrian Peter Leatham	Clare Brenda Aitkenhead

Independent auditor's report

To the shareholders of Verizon Denmark A/S

Opinion

We have audited the financial statements of Verizon Denmark A/S for the financial year 1 January – 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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.
- ▶ 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 note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view. ²

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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aalborg, 13 June 2023
EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Allan Terp
State Authorised
Public Accountant
mne33198

Management's review

Financial highlights

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

Key figures (in DKK thousands)	2022	2021	2020	2019	2018
Revenue	109,737	104,805	93,438	107,404	140,860
Gross profit	30,217	31,147	32,403	34,119	39,338
Operating profit	5,028	4,840	4,247	4,773	6,727
Net financial income	18,896	15,535	-15,090	9,050	11,296
Profit/loss for the year	27,384	20,490	-12,598	14,992	18,477
Balance sheet total	320,562	317,187	291,522	291,475	276,420
Investments in fixed assets	4,522	6,605	5,418	1,106	4,931
Equity	297,113	269,729	249,239	261,837	246,845
Average number of employees	14	14	17	18	20
Financial ratios in %					
Gross margin	27.5	29.0	34.7	31.8	27.9
EBIT margin	4.6	4.6	4.5	4.4	4.8
Equity ratio	92.7	85.0	85.5	89.8	89.3
Return of equity	9.7	7.7	- 4.9	5.9	7.8

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', cf. below and

Definition of financial ratios:

Gross margin:

Gross margin / Revenue*100

EBIT margin:

Profit/loss from ordinary operating activities / Revenue*100

Equity ratio:

Closing equity / Equity & liabilities at year-end*100

Return on equity:

Profit/loss for the year / Average equity*100

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 LAN as well as WAN services, and the full transformation as well as maintenance for the service in operation for these services.

Financial review

The revenue of Verizon Denmark A/S has increased from DKKt 104,805 in 2021 to DKKt 109,737 in 2022. In our outlook in the previous annual report we had expected the revenue to decline by 5.3%. Contributing factor for better than expected revenue was greater demand for the provision of Internet, Managed Network and Network Pro Services. The company's income statement for the year ended 31 December 2022 shows a net profit of DKKt 27,384. The assets and the balance sheet at 31 December 2022 show equity of DKKt 297,113.

Outlook

The Directors expect revenue pressure on core legacy services to persist as a result of technology migrations, increased competitive intensity (from established global telco providers, system integrators and new entrants) and global macroeconomic and geopolitical uncertainty.

The Company will continue to focus on innovation and growing strategic services such as security, network as a service, advanced communications, customer experience, advisory consulting services to expand market penetration, acquire new customers and increase wallet share within the existing base.

Due to the above scenario, the company expects the revenue and operating profit to decline by 5-7% next year.

Subsequent events

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

Financial risks and use of financial instruments

Price risks

The company is exposed to price risks to the same extent as other companies in the industry.

Currency risks

The currency risk is considered low, since most of the receivables and payables are done in DKK, EUR and USD

Interest rate risks

The interests rate risks are not very material specific to the company. To the extent interest rate movements impact the wider economy, the company is affected indirectly like any other company in the industry.

Knowledge resources

The company acknowledges the importance of hiring, retaining, training and up skilling human resources so that it can remain competitive in the telecom and technology industry which is knowledge intensive. There is continued focus on best HR practices, scope of on job training and skill improvement, career progression and attractive compensation scheme to attract and retain talent.

Financial statements

Income statement for the year ended 31 December

		2022	2021
		DKKt	DKKt
Notes			
	Revenue	109,737	104,805
	Cost of sales	-67,652	-65,756
	Other external expenses	- 11,869	-7,880
	Gross profit	30,217	31,170
2	Staff costs	- 19,271	-18,590
	Depreciation on property, plant and equipment	- 5,918	-7,716
	Other operating expenses	-	-24
	Operating profit	5,028	4,840
3	Financial income	19,370	16,902
4	Financial expenses	- 474	-1,367
	Pre-tax profit	23,924	20,374
5	Tax for the year	3,460	116
	Profit for the year	27,384	20,490

Balance sheet at 31 December

	2022	2021
	DKKt	DKKt
Notes		
Assets		
Fixed assets		
Plant and machinery	11,555	12,589
Other fixtures and fittings, tools and equipment	7,270	3,038
Leasehold improvements	266	493
Property, plant and equipment in progress	333	4,700
6 Property, plant and equipment	19,424	20,820
Total non-current assets	19,424	20,820
Trade receivables	24,443	21,623
Receivables from group entities	257,227	257,902
7 Deferred tax asset	7,051	3,591
8 Prepayments	2,149	3,312
Other receivables	6,445	6,252
Receivables	297,315	292,680
Cash	3,824	3,687
Total current assets	301,139	296,367
Total assets	320,562	317,187

Balance sheet at 31 December

		2022	2021
		DKKt	DKKt
Notes			
	Equity and liabilities		
	Equity		
9	Share capital	1,500	1,500
	Retained earnings	295,613	268,229
	Total equity	297,113	269,729
	Liabilities		
10	Other payables	414	306
	Liabilities other than provisions	414	306
11	Provisions	917	917
	Non-current provisions	917	917
	Total non-current liabilities	1,331	1,223
	Deferred income	0	1,324
	Trade payables	5,396	12,821
	Payables to group entities	71	12,161
	Other payables	16,651	19,929
	Total current liabilities	22,118	46,235
	Total liabilities	23,449	47,458
	Total equity and liabilities	320,562	317,187

1. Accounting policies
12. Recommended appropriation of the profit / loss for the year
13. Security for loans
14. Contingent liabilities and other financial obligations
15. Related parties

Statement of changes in equity

Note

(DKKt)	Share capital	Retained Earnings / accumulated loss	Total
Equity at 1/1/ 2022	1,500	268,229	269,729
Profit for the year, cf. appropriation of profit	0	27,384	27,384
Equity at 31/12/ 2022	1,500	295,613	297,113

The share capital consists of 1,500,000 shares at a nominal value of DKK 1,500,000. No shares carry any special rights. The Company's share capital has remained unchanged for the past five years.

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 middle reporting class C enterprises. Accounting policies is unchanged compared to prior years. Due to classification error in the previous annual report, reclassification has been carried out within the gross profit in the Income statement. Cost of sales will in future be presented within the gross profit . Comparative figures for 2021 have been adjusted to the changed classification.

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.

Leases

The Company has chosen IAS17 as interpretation for classification and recognition of leases.

All leases are considered operating leases. Payments relating to operating leases and any other leases are recognized in the income statement over the term of lease.

The company's total liabilities relating to operating leases and other leases are disclosed under contingencies, etc.

Accounting policies continued

Income statement

Revenue

The company has chosen IAS 18 as interpretation for revenue recognition.

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.

Cost of sales

Cost of sales include direct cost of goods and services attributable to revenue.

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.

Other operating expenses

Other operating expenses comprise secondary expenses relating to company activities including losses on disposal of plant and machinery and other fixed assets.

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.

Other operating expenses

These include one off expenses including loss on disposal of assets.

Accounting policies continued

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.

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognized.

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	5-10
Leasehold improvements	3-45

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.

Tax

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

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.

Impairment of fixed assets

The carrying amount of plant and equipment is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Accounting policies continued

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors'

domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flow, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Deferred Tax Asset

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognized on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallize as current tax. Deferred tax assets are recognized at the expected value of their utilization; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognized in the income statement.

Accounting policies continued

Prepayments

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

Cash and cash equivalents

Cash comprises cash balances and bank balances.

Deferred income

Deferred income recognised as liability comprises payments received concerning income in subsequent financial reporting years.

Liabilities other than provision

Financial liabilities are measured at amortised cost. Other liabilities are measured at net realizable value.

Provisions

Provisions are dilapidations provisions comprising costs related to leasehold properties. Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

2. Staff cost

	2022 DKKt	2021 DKKt
Wages and salaries	16,829	15,976
Pensions	1,227	1,150
Other staff costs	1,215	1,465
	<u>19,271</u>	<u>18,590</u>
	Number	Number
Average numbers of employees	<u>14</u>	<u>14</u>

The executive board and the board of directors do not receive any remuneration specific to their executive roles in the company.

3. Financial income

	2022	2021
	DKKt	DKKt
Interest group entities	6,415	1,184
Other financial income	12,955	15,718
	<u>19,370</u>	<u>16,902</u>

4. Financial expenses

	2022	2021
	DKKt	DKKt
Interest expenses, group entities	9	5
Other financial expenses	465	1,362
	<u>474</u>	<u>1,367</u>

5. Tax for the year

	2022	2021
	DKKt	DKKt
Corporation tax	-	754
Deferred tax	3,460	(638)
	<u>3,460</u>	<u>116</u>

6. Property, plant and equipment

	<u>Plant and Machinery</u>	<u>Other fixtures and fittings tools and equipment</u>	<u>Lease- hold improve -ments</u>	<u>Property, plant and equipment in progress</u>	<u>Total</u>
Cost					
Cost at 1/1/2022	217,876	5,759	2,203	4,700	230,539
Additions in the year	2,062	2,169	4	288	4,522
Disposals in the year year	-295	-259	-	-	-554
Transfer to/from other accounts	1,822	2,797	36	-4,655	-
Cost as 31/12/2022	<u>221,465</u>	<u>10,466</u>	<u>2,243</u>	<u>333</u>	<u>234,507</u>
Depreciation					
Depreciation at 1/1/2022	205,287	2,722	1,710	-	209,719
Depreciation	4,918	733	267	-	5,918
Depreciation disposals	-290	-259	-	-	554
Depreciation 31/12/2022	<u>209,910</u>	<u>3,196</u>	<u>1,977</u>	<u>-</u>	<u>215,083</u>
Carrying amount at 31/12/2022	<u>11,555</u>	<u>7,270</u>	<u>266</u>	<u>333</u>	<u>19,424</u>

7. Deferred tax asset

	2022	2021
	DKKt	DKKt
Balance as 1 January	3,591	4,229
Defer tax adjustment for the year	3,460	-638
Balance at 31 December	<u>7,051</u>	<u>3,591</u>

The company has a total deferred tax asset, as of 31 December 2022, of DKKt 25,318 (2021: DKKt 30,553) which relate primarily to timing differences of taxable loss, plant and machinery and fittings and equipments.

Deferred tax assets of DKKt 7,051 (2021: DKKt 3,591) have been recorded in the financial statements, based on a 3-year forecast.

Unrecognised deferred tax asset therefore amounts to, as of 31 December 2022, DKKt 18,267 (2021: DKKt 26,962)

It is management assessment that the valuation of the company's deferred tax asset as of 31 December 2022 is justifiable.

8. Prepayments

Prepayments of DKKt 2,149 (2021: DKKt 3,312) operation and maintenance, etc. of fibre cables owned by a third party, are included in prepayments.

9. Share capital

The share capital consists of 1,500,000 shares at a nominal value of DKK 1,500,000. No shares carry any special rights. The Company's share capital has remained unchanged for the past five years.

10. Other payables

The balance in other payables relate to long term employee obligations. These are payable between 2-5 years from the balance sheet date.

11. Provisions

Provisions are dilapidation provisions comprising costs related to leasehold properties. The liability for this provision is expected to be settled in 2026.

12. Recommended appropriation of the profit / loss for the year

	2022	2021
	DKKt	DKKt
Retained earnings	<u>27,384</u>	<u>20,490</u>
	<u>27,384</u>	<u>20,490</u>

13. Security for loans

The company has not placed any assets or other as security for loans at 31/12 2022.

14. Contingent liabilities and other financial obligations

	31/12 2022	31/12 2021
	DKKt	DKKt
Rent and lease liabilities;		
Falling due within 1 year	2,646	2,368
Falling due within 2-5 years	<u>1,695</u>	<u>2,427</u>
	<u>4,341</u>	<u>4,795</u>

15. 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

Copies of Verizon Communications Inc.'s annual report are available at

<https://www.verizon.com/about/investors/annual-report> or on written request at the address of the principal executive offices; 1095 Avenue of the Americas, New York, New York 10036, USA.

Continued- Notes

	<u>2022</u>	<u>2021</u>
	DKKt	DKKt
Transactions with the related parties:		
Purchase of goods and services from the related parties	67,628	63,173
Sales of goods and services to the related parties	12,688	10,385
Interest income from the related parties	6,415	1,184
Interest expenses payable to the related parties	9	5
Receivables from the related parties	257,227	257,902
Payables to the related parties	71	12,161