

# **Verizon Denmark A/S**

Roholmsvej 19, 2620 Albertslund

CVR no. 17 88 90 87

## **Annual report 2020 for the year ended 31 December 2020**

Approved at the annual general meeting of shareholders on 27 May 2021

As chairman:

A handwritten signature in blue ink, appearing to read 'Jens Steen Jensen', is written over a horizontal dotted line.

Jens Steen Jensen

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### 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 2020.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2020 and of the results of the company's operations for the fiscal year 1 January - 31 December 2020.

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, 27 May 2021

Executive board:

.....  
Clare Brenda Aitkenhead

Board of Directors:

.....  


Francesco Cesare De Maio  
Chairman

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Johan Coenraad Schoeman

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## **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 2020, which comprise income statement, balance sheet, statement of changes in equity, 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 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

#### **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' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

#### **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.

## Continued - Independent auditor's report

### 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.

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.

## Continued - Independent auditor's report

### 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.

Copenhagen, 27 May 2021  
EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Alex Petersen  
State Authorised  
Public Accountant  
mne28604



## Management's review

### Financial highlights

5 - years summary (in DKK thousands, excluding number of employees):

Key figures (in DKK thousands)	2020	2019	2018	2017	2016
Revenue	93,438	107,404	140,860	194,157	237,829
Gross profit	32,403	34,119	39,338	52,890	47,942
Operating profit	4,247	4,773	6,727	8,656	10,886
Net financials	-15,090	9,050	11,296	- 9,042	3,235
Profit/loss for the year	-12,598	14,992	18,477	- 1,921	21,011
Balance sheet total	291,523	291,475	276,420	272,730	309,610
Investments in fixed assets	5,418	1,106	4,931	5,843	7,107
Equity	249,239	261,837	246,845	228,368	230,289
Average number of employees	17	18	20	24	24
Financial ratios in %					
Gross margin	34.7	31.8	27.9	27.2	20.2
EBIT margin	4.5	4.4	4.8	4.5	4.6
Equity ratio	85.5	89.8	89.3	83.7	74.4
Return of equity	- 4.9	5.9	7.8	- 0.8	9.6

### 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:

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

EBIT margin:

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

Equity ratio:

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

Return on equity:

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

## **Continued - Management's review**

### **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 decreased from DKKt 107,404 in 2019 to DKKt 93,438 in 2020. The change in revenue is mainly caused by a higher loss of customers and price erosion/write down for Danish base clients, than expected in prior year. The company's income statement for the year ended 31 December 2020 shows a net loss of DKKt 12,598. The assets and the balance sheet at 31 December 2020 show equity of DKKt 249,239.

#### **Outlook and Post balance sheet events**

For the Verizon operating entities, detailed budgets and forecasts are prepared at the Group level. According to the current forecast, Verizon Denmark anticipates revenue to decline by average 4.0% per annum.

The forecast is based on several non-controlled factors such as the development of the economy (including the exchange rate volatility) and the development of the telecommunication market.

In our view, the spread of COVID19 (coronavirus) and the associated consequences on the development of the economy do not lead to any significant change in expectations for the development of Verizon Denmark. The positive growth in revenues for the first quarter of 2021 would indicate the pandemic has not had a further impact on the business on entity level.

The overall forecast is expecting a slight decline in gross and operating profit for the 2021 financial year.

Net financials should be positive and result in a net profit.

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

## Financial statements

### Income statement for the year ended 31 December

		2020 DKKt	2019 DKKt
Notes			
	Revenue	93,438	107,404
	Other external expenses	-61,035	-73,285
	<b>Gross margin</b>	<b>32,403</b>	<b>34,119</b>
2	Staff costs	-19,599	-20,142
5	Depreciation and losses on property, plant and equipment	-8,509	-8,864
	Other operating expenses	-48	-340
	<b>Operating profit</b>	<b>4,247</b>	<b>4,773</b>
3	Financial income	4,792	9,096
4	Financial expenses	-19,882	-46
	<b>Pre-tax profit</b>	<b>-10,844</b>	<b>13,823</b>
12	Tax for the year	-1,754	1,169
	<b>Profit for the year</b>	<b>-12,598</b>	<b>14,992</b>

## Continued - Financial statements

### Balance sheet at 31 December

		2020 DKKt	2019 DKKt
Notes			
	<b>Assets</b>		
	<b>Fixed assets</b>		
	Plant and machinery	15,480	21,700
	Other fixtures and fittings, tools and equipment	870	1,337
	Leasehold improvements	773	1,115
	Property, plant and equipment in progress	4,832	895
5	<b>Property, plant and equipment</b>	<b>21,955</b>	<b>25,047</b>
	<b>Total non-current assets</b>	<b>21,955</b>	<b>25,047</b>
	Trade receivables	15,257	18,606
13	Receivables from group entities	233,673	227,429
12	Deferred tax asset	4,229	6,689
6	Prepayments	3,725	4,069
	Other receivables	1,468	1,119
	<b>Receivables</b>	<b>258,352</b>	<b>257,912</b>
	<b>Cash</b>	<b>11,216</b>	<b>8,516</b>
	<b>Total current assets</b>	<b>269,568</b>	<b>266,428</b>
	<b>Total assets</b>	<b>291,523</b>	<b>291,475</b>

## Continued - Financial statements

### Balance sheet at 31 December

		2020 DKKt	2019 DKKt
Notes			
	<b>Equity and liabilities</b>		
	<b>Equity</b>		
11	Share capital	1,500	1,500
	Retained earnings	247,739	260,337
	<b>Total equity</b>	<b>249,239</b>	<b>261,837</b>
	<b>Liabilities</b>		
8	Other payables	2,063	641
	<b>Liabilities other than provisions</b>	<b>2,063</b>	<b>641</b>
7	Provisions	1,718	1,690
	<b>Non-current provisions</b>	<b>1,718</b>	<b>1,690</b>
	<b>Total non-current liabilities</b>	<b>3,781</b>	<b>2,331</b>
	Deferred income	496	296
	Trade payables	6,779	5,679
13	Payables to group entities	4,426	7,883
	Other payables	4,981	5,609
	<b>Current liabilities other than provisions</b>	<b>16,682</b>	<b>19,467</b>
	Provisions	21,821	7,840
	<b>Total current liabilities</b>	<b>38,503</b>	<b>27,307</b>
	<b>Total liabilities</b>	<b>42,284</b>	<b>29,638</b>
	<b>Total equity and liabilities</b>	<b>291,523</b>	<b>291,475</b>
9	Security for loans		
10	Contingent liabilities and other financial obligations		

## Continued - Financial statements

### Statement of changes in equity

Note

		Retained Earnings / accumulated loss	
(DKKt)	Share capital		Total
Equity at 1/1/ 2020	1,500	260,337	261,837
11 Loss for the year, cf. appropriation of loss	0	-12,598	-12,598
Equity at 31/12/ 2020	1,500	247,739	249,239

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.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

During the financial year 2020, the Company aligned its presentation of provisions relating to revenue. These provisions are now included in Other Provisions under Current Liabilities, whereas they were previously included under Trade Receivables. Prior periods have been reclassified to conform to the current period presentation. The reclassification increased the balance of Other Provisions by DKKt 7.840, and increased Trade Receivables balance by similar amount. The reclassification had no impact on income statement or total equity.

#### **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.

## **Continued – Notes**

### **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.

##### **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.

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.



## **Continued – Notes**

### **Accounting policies continued**

#### **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.

The Company is jointly taxed with owned Danish sister companies. The tax effect of joint taxation is allocated to enterprises in proportion to their taxable incomes. Verizon Denmark does not own any subsidiaries.

#### **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).

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.

## **Continued – Notes**

### **Accounting policies continued**

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.

#### **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.

#### **Income taxes**

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.

#### **Other payables**

Other payables are measured at net realisable value.

## **Continued – Notes**

### **Accounting policies continued**

#### **Provisions**

Provisions comprise anticipated credit notes for incurred revenue and provision for expenses relating to assets retirement, onerous contracts etc. Provisions are recognized when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Provisions are split between current and non-current liabilities depending on when the cost is expected to be incurred.

## Continued – Notes

### 2. Staff cost

	2020	2019
	DKKt	DKKt
Wages and salaries	18,065	18,490
Pensions	1,343	1,297
Other staff costs	191	355
	<u>19,599</u>	<u>20,142</u>
	Number	Number
Average numbers of employees	<u>17</u>	<u>18</u>

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

### 3. Financial income

	2020	2019
	DKKt	DKKt
Interest receivable, groups entities	2,445	5,579
Exchange gain	2,052	3,378
Other financial income	295	139
	<u>4,792</u>	<u>9,096</u>

### 4. Financial expenses

	2020	2019
	DKKt	DKKt
Interest expenses, group entities	12	32
Exchange losses	19,865	0
Other financial expenses	5	14
	<u>19,882</u>	<u>46</u>

## Continued – Notes

### 5. Property, plant and equipment

	Plant and Machinery	Other fixtures and fittings tools and equipment	Lease-hold improvements	Property, plant and equipment in progress	Total
<b>Cost</b>					
Balance at 1/1/2020	212,488	3,449	2,203	895	219,035
Additions in the year	586	-	-	4,832	5,418
Transfer to/from other accounts	895	-	-	-895	-
Cost as 31/12/2020	213,969	3,449	2,203	4,832	224,453
<b>Depreciation</b>					
Balance at 1/1/2020	190,788	2,112	1,089	-	193,989
Depreciation	7,701	467	341	-	8,509
Depreciation 31/12/2020	198,489	2,579	1,430	-	202,498
Carrying amount at 31/12/2020	15,480	870	773	4,832	21,955

### 6. Prepayments

Prepayments of DKKt 3,725 (2019: DKKt 4,069) operation and maintenance, etc. of fibre cables owned by a third party, are included in prepayments.

### 7. Provisions

Provisions are dilapidation provisions comprising rental costs, etc.

## Continued – Notes

### 8. Non-current liabilities and other payables, other than provisions

DKK'000	Total debt at 31/12/2020	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Holiday pay liability	2,063	0	2,063	0
	<b>2,063</b>	<b>0</b>	<b>2,063</b>	<b>0</b>

Non-current liabilities other than provisions consist of frozen holiday pay obligation of DKKt 2,063, which the Company was not obliged to settle in 2021, hence the liability is classified as long-term. The liability has been paid to Feriefonden in May 2021.

### 9. Security for loans

The company has not placed any assets or other as security for loans at 31/12 2020.

### 10. Contingent liabilities and other financial obligations

	31/12 2020	31/12 2019
	DKKt	DKKt
Other rent and lease liabilities:		
Rent and lease liabilities	5,824	2,277

Verizon Denmark A/S is jointly taxed with its sister company. The company has joint and several unlimited liability, together with its sister company, for all Danish income taxes and withholding taxes on dividend, interest and royalties within the group of jointly taxed entities. Any subsequent corrections of income subject to joint taxation and withholding taxes, etc. could entail an increase in the entities' tax liability. The Group as whole is not liable vis-à-vis any third parties.

### 11. Recommended appropriation of the profit / loss for the year

Retained earnings	-12,598	14,992
	<b>-12,598</b>	<b>14,992</b>

## Continued – Notes

### 12. Tax of the year

	2020 DKKt	2019 DKKt
Tax on previous years, joint tax contribution	706	289
Deferred Tax at 1/1/2020	6,689	5,809
Adjustment of the deferred tax charge for the year	-2,460	880
Deferred Tax at 31/12/2020	4,229	6,689
<b>Tax for the year</b>	<b>-1,754</b>	<b>1,169</b>

Deferred Tax receivables of DKKt 4,229 have been recorded in the financial statements, based on a 3 year forecast for use of deductible tax losses. Deferred tax primarily relates to property, plant and equipment and tax losses.

### 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 parent's consolidated financial statements can be found at:

<https://www.verizon.com/about/sites/default/files/2020-Annual-Report-on-Form-10-K.PDF>

	2020 DKKt	2019 DKKt
Transactions with related partners:		
Purchase of goods from affiliates	1,331	1,323
Sales of services to parent company	2,048	3,655
Purchase of services from parent company	38	11,216
Sales of services to affiliates	12,224	11,790
Purchase of services from affiliates	44,893	48,128
Interest income from parent company	2,445	5,577
Interest expenses to affiliates	12	30
Receivables from parent company at 31/12 2020	233,673	227,425
Receivables from affiliates at 31/12 2020	0	4
Payables to parent company at 31/12 2020	3,325	6,684
Payables to affiliates at 31/12 2020	1,101	1,199