

Verizon Denmark A/S

Roholmsvej 19, 2620 Albertslund

CVR no. 17 88 90 87

Annual report 2021 for the year ended 31 December 2021

Approved at the annual general meeting of shareholders on 27 June 2022

As chairman:



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 2021.

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 2021 and of the results of the company's operations for the fiscal year 1 January - 31 December 2021.

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

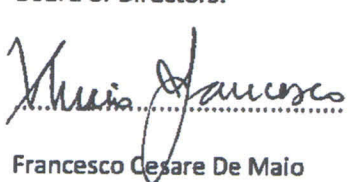
Albertslund, 27 June 2022

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 2021, 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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2021 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.

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 June 2022

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Allen Terp
State Authorised
Public Accountant
mne33198

Management's review

Financial highlights

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

Key figures (in DKK thousands)	2021	2020	2019	2018	2017
Revenue	104,805	93,438	107,404	140,860	194,157
Gross profit	30,406	32,403	34,119	39,338	52,890
Operating profit	4,840	4,247	4,773	6,727	8,656
Net financials	15,534	-15,090	9,050	11,296	- 9,042
Profit/loss for the year	20,490	-12,598	14,992	18,477	- 1,921
Balance sheet total	317,186	291,523	291,475	276,420	272,730
Investments in fixed assets	6,605	5,418	1,106	4,931	5,843
Equity	269,729	249,239	261,837	246,845	228,368
Average number of employees	14	17	18	20	24
Financial ratios in %					
Gross margin	29.0	34.7	31.8	27.9	27.2
EBIT margin	4.6	4.5	4.4	4.8	4.5
Equity ratio	85.0	85.5	89.8	89.3	83.7
Return of equity	7.7	- 4.9	5.9	7.8	- 0.8

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

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 increased from DKKt 93,438 in 2020 to DKKt 104,805 in 2021. A contributing factor for the change in revenue is greater demand for the provision of Internet, Managed Network and Network Pro Services. The company's income statement for the year ended 31 December 2021 shows a net profit of DKKt 20,490. The assets and the balance sheet at 31 December 2021 show equity of DKKt 269,729.

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 5.3% 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.

The overall forecast is expecting a slight decline in gross and operating profit for the 2022 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

		2021	2020
		DKKt	DKKt
Notes			
	Revenue	104,805	93,438
	Other external expenses	-74,399	-61,035
	Gross margin	30,406	32,403
2	Staff costs	-18,590	-19,599
5	Depreciation and losses on property, plant and equipment	-7,716	-8,509
	Other operating expenses	740	-48
	Operating profit	4,840	4,247
3	Financial income	16,902	4,792
4	Financial expenses	-1,367	-19,882
	Pre-tax profit	20,374	-10,844
12	Tax for the year	116	-1,754
	Profit for the year	20,490	-12,598

Continued - Financial statements

Balance sheet at 31 December

		2021 DKKt	2020 DKKt
Notes			
	Assets		
	Fixed assets		
	Plant and machinery	12,589	15,480
	Other fixtures and fittings, tools and equipment	3,038	870
	Leasehold improvements	493	773
	Property, plant and equipment in progress	4,700	4,832
5	Property, plant and equipment	20,820	21,955
	Total non-current assets	20,820	21,955
	Trade receivables	21,623	15,257
13	Receivables from group entities	257,902	233,673
12	Deferred tax asset	3,591	4,229
6	Prepayments	3,312	3,725
	Other receivables	6,252	1,468
	Receivables	292,680	258,352
	Cash	3,687	11,216
	Total current assets	296,367	269,568
	Total assets	317,187	291,523

Continued - Financial statements

Balance sheet at 31 December

		2021 DKKt	2020 DKKt
Notes			
	Equity and liabilities		
	Equity		
11	Share capital	1,500	1,500
	Retained earnings	268,229	247,739
	Total equity	269,729	249,239
	Liabilities		
	Other payables	306	2,063
	Liabilities other than provisions	306	2,063
7	Provisions	917	1,718
	Non-current provisions	917	1,718
	Total non-current liabilities	1,223	3,781
	Deferred income	1,324	496
	Trade payables	12,821	6,779
13	Payables to group entities	12,161	4,426
	Other payables	4,668	4,981
	Current liabilities other than provisions	30,974	16,682
	Provisions	15,261	21,821
	Total current liabilities	46,235	38,503
	Total liabilities	47,458	42,284
	Total equity and liabilities	317,187	291,523
9	Security for loans		
10	Contingent liabilities and other financial obligations		

Continued - Financial statements

Statement of changes in equity

Note

		Retained Earnings / accumulated loss	Total
(DKKt)	Share capital		
Equity at 1/1/ 2021	1,500	247,739	249,239
11 Profit for the year, cf. appropriation of profit	0	20,490	20,490
Equity at 31/12/ 2021	1,500	268,229	269,729

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.

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.

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.

Continued – Notes

Accounting policies continued

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.

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.

Continued – Notes

Accounting policies continued

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.

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.

Continued – Notes

Accounting policies continued

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.

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

	2021	2020
	DKKt	DKKt
Wages and salaries	15,976	18,065
Pensions	1,150	1,343
Other staff costs	1,465	191
	<u>18,590</u>	<u>19,599</u>
	Number	Number
Average numbers of employees	<u>14</u>	<u>17</u>

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

3. Financial income

	2021	2020
	DKKt	DKKt
Interest receivable, groups entities	1,184	2,445
Exchange gain	15,364	2,052
Other financial income	354	295
	<u>16,902</u>	<u>4,792</u>

4. Financial expenses

	2021	2020
	DKKt	DKKt
Interest expenses, group entities	5	12
Exchange losses	1,352	19,865
Other financial expenses	6	5
	<u>1,363</u>	<u>19,882</u>

Continued – Notes

5. Property, plant and equipment

	Plant and Machinery	Other fixtures and fittings tools and equipment	Lease-hold improve-ments	Property, plant and equipment in progress	Total
Cost					
Balance at 1/1/2021	213,969	3,449	2,203	4,832	224,453
Additions in the year	1,888	17	-	4,700	6,605
Disposals in the year year	-51	-468	-	-	-519
Transfer to/from other accounts	2,070	2,762	-	-4,832	-
Cost as 31/12/2021	217,876	5,759	2,203	4,700	230,539
Depreciation					
Balance at 1/1/2021	198,489	2,579	1,430	-	202,498
Depreciation	6,826	611	280	-	7,716
Depreciation disposals	-27	-468	-	-	496
Depreciation 31/12/2021	205,287	2,722	1,710	-	209,719
Carrying amount at 31/12/2021	12,589	3,038	493	4,700	20,820

6. Prepayments

Prepayments of DKKt 3,312 (2020: DKKt 3,725) 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

9. Security for loans

The company has not placed any assets or other as security for loans at 31/12 2021.

10. Contingent liabilities and other financial obligations

	31/12 2021	31/12 2020
	DKKt	DKKt
Other rent and lease liabilities:		
Rent and lease liabilities	4,795	5,824

Verizon Denmark A/S has been jointly taxed with its sister company Oath (Denmark) Aps, until 01 September 2021. The company had 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, until the sale of Oath (Denmark) Aps to Yahoo Edgecast Services Limited on 01 September 2021. 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.

The Company is not currently involved in any legal proceedings. It is Management's opinion that the outcome of ongoing negotiations will not have any material impact on the Company's financial position, results of operations, and cash flows.

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

Retained earnings	20,490	-12,598
	<u>20,490</u>	<u>-12,598</u>

12. Tax of the year

	2021	2020
	DKKt	DKKt
Tax on previous years, joint tax contribution	754	706
Deferred Tax at 1/1/2021	4,229	6,689
Adjustment of the deferred tax charge for the year	-638	-2,460
Deferred Tax at 31/12/2021	3,591	4,229
Tax for the year	<u>116</u>	<u>-1,754</u>

Continued – Notes

12. Tax of the year continued

Deferred Tax receivables of DKKt 3,591 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/2021-Annual-Report-on-Form-10-K.pdf>

	2021 DKKt	2020 DKKt
Transactions with related partners:		
Purchase of goods from affiliates	1,885	1,331
Sales of services to parent company	986	2,048
Purchase of services from parent company	12,572	38
Sales of services to affiliates	9,399	12,224
Purchase of services from affiliates	48,716	44,893
Interest income from parent company	1,184	2,445
Interest expenses to affiliates	5	12
Receivables from parent company at 31/12 2021	257,902	233,673
Receivables from affiliates at 31/12 2021	0	0
Payables to parent company at 31/12 2021	10,961	3,325
Payables to affiliates at 31/12 2021	1,200	1,101