

Verizon Denmark A/S

Roholmsvej 19, 2620 Albertslund

CVR no. 17 88 90 87

Annual report 2019 for the year ended 31 December 2019

Approved at the annual general meeting of shareholders on ~~23~~ Aug. 2020

As chairman:


.....
Simon Rasmussen

Contents

Statement by management on annual report	1
Independent auditor's report	2
Management's review	5
Financial highlights	5
Management's review	6
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
1. Accounting policies	12
2. Post balance sheet events	16
3. Special Item	16
4. Staff cost	16
5. Financial income, group entities	16
6. Financial expenses, group entities	17
7. Property, plant and equipment	17
8. Prepayments	18
9. Shared capital	18
10. Other provisions	18
11. Security for loans	18
12. Contingent liabilities and other financial obligations	18
13. Recommended appropriation of the profit for the year	18
14. Tax of the year	19
15. Related parties	19

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 2019.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2019 and of the results of the company's operations for the fiscal year 1 January - 31 December 2019.

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, 24. August 2020

Executive board:



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Clare Brenda Aitkenhead

Board of Directors:

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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 2019, 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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 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.

København, 24. August 2020

EY Godkendt Revisionspartnerselskab

CVR no. 35 68 31 94



Alex Petersen

State Authorised

Public Accountant

mne28604

Management's review

Financial highlights

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

Key figures (in DKK thousands)	2019	2018	2017	2016	2015
Revenue	107,404	140,860	194,157	237,829	289,559
Gross profit	34,119	39,338	52,890	47,942	55,310
Operating profit	4,773	6,727	8,656	10,886	13,802
Net financials	9,050	11,296	- 9,042	3,235	3,332
Profit/loss for the year	14,992	18,477	- 1,921	21,011	17,134
Balance sheet total	283,635	276,420	272,730	309,610	271,185
Investments in fixed assets	1,106	4,931	5,843	7,107	4,151
Equity	261,837	246,845	228,368	230,289	209,278
Average number of employees	18	20	24	24	31
Financial ratios in %					
Gross margin	31.8	27.9	27.2	20.2	19.1
EBIT margin	4.4	4.8	4.5	4.6	4.8
Equity ratio	92.3	89.3	83.7	74.4	77.2
Return of equity	5.9	7.8	- 0.8	9.6	8.5

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 decreased from DKKt 140,860 in 2018 to DKKt 107,404 in 2019. 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 2019 shows a net gain of DKKt 14,992. The assets and the balance sheet at 31 December 2019 show equity of DKKt 261,837.

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 7.4% year-on-year.

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 forecast is expecting a slightly decline in Gross and Operating profit for the 2020 financial year.

Net Financial should be positive and result in a Net Profit.

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.

Due to this ongoing crisis and the associated economic impact, we are currently anticipating a slight decline in sales. Currently there are occasional postponements of orders with existing customers. The opposing effect is that customers are also postponing the migration away from Verizon. Therefore, we don't expect a significant decline in sales. If this crisis persists over a longer period of time, order failures cannot be ruled out.

Currently, especially with our major customers, there are no indications of bad debts and the receivables are settled on time. Some smaller customers have asked for a delay in payment, but we do not currently expect the receivables to default. As well here, the situation can change if the crisis persists and bad debts can occur.

Continued - Management's review

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

Income statement for the year ended 31 December

		2019	2018
		DKKt	DKKt
Notes			
	Revenue	107,404	140,860
	Other external expenses	-73,285	-101,522
	Gross margin	34,119	39,338
4	Staff costs	-20,142	-22,358
7	Depreciation and losses on property, plant and equipment	-8,864	-9,206
	Other operating expenses	-340	-1,047
	Operating profit	4,773	6,727
5	Financial income	9,096	11,329
6	Financial expenses	-46	-33
	Pre-tax profit	13,823	18,023
14	Tax for the year	1,169	454
	Profit for the year	14,992	18,477

Continued - Financial statements

Balance sheet at 31 December

		2019 DKKt	2018 DKKt
Notes			
	Assets		
	Fixed assets		
	Plant and machinery	21,700	28,138
	Other fixtures and fittings, tools and equipment	1,337	1,240
	Leasehold improvements	1,115	1,399
	Property, plant and equipment in progress	895	2,029
7	Property, plant and equipment	25,047	32,806
	Total fixed assets	25,047	32,806
	Trade receivables	10,766	18,866
	Receivables from group entities	227,429	207,912
14	Deferred tax asset	6,689	5,809
8	Prepayments	4,069	4,859
	Other receivables	1,119	1,436
	Receivables	250,072	238,882
	Cash	8,516	4,732
	Total current assets	258,588	243,614
	Total assets	283,635	276,420

Continued - Financial statements

Balance sheet at 31 December

		2019	2018
		DKKt	DKKt
Notes			
	Equity and liabilities		
	Equity		
9	Share capital	1,500	1,500
	Retained earnings	260,337	245,345
	Total equity	261,837	246,845
	Liabilities		
10	Other provisions	2,331	1,665
	Total non-current liabilities	2,331	1,665
	Deferred revenue	296	149
	Trade payables	5,679	7,986
	Payables to group entities	7,883	12,319
	Other payables	5,609	7,456
	Total current liabilities	19,467	27,910
	Total liabilities	21,798	29,575
	Total equity and liabilities	283,635	276,420
11	Security for loans		
12	Contingent liabilities and other financial obligations		

Continued - Financial statements

Statement of changes in equity

Note

		Retained earnings/accu- mulated loss	
(DKKt)	Share capital		Total
Equity at 1/1/ 2019	1,500	245,345	246,845
13 Profit for the year, cf. appropriation of profit	0	14,992	14,992
Equity at 31/12/ 2019	1,500	260,337	261,837

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 former 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 subsidiaries. The tax effect of joint taxation is allocated to enterprises in proportion to their taxable incomes.

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

The Company has chosen IAS 39 as interpretation for impairment write-down of financial 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.

Other payables

Other payables are measured at net realisable value.

Continued – Notes

Accounting policies continued

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.

Deferred income

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

Continued – Notes

2. Post balance sheet events

The Spread of COVID 19 (coronavirus) and the associated consequences on development of the economy do not lead to any significant change in expectations for the development of Verizon Denmark. We are currently anticipating a slight decline in sales for 2020 but at this stage it is not possible to estimate the expected impact.

3. Special Item

The company did in 2018 dispose assets, from customer and technical sites. The assets disposed were all valued to 0. The net value of the disposed asset/ adjusted depreciation expense had been booked as a loss of DKKt 838. The loss was covered by a Transfer pricing adjustment DKKt 329.

4. Staff cost

	2019	2018
	DKKt	DKKt
Wages and salaries	18,490	20,433
Pensions	1,297	1,561
Other staff costs	355	364
	<u>20,142</u>	<u>22,358</u>
	Number	Number
Average numbers of employees	<u>18</u>	<u>20</u>

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

5. Financial income, group entities

	2019	2018
	DKKt	DKKt
Interest receivable, groups entities	5,579	4,129
Exchange gain	3,378	7,022
Other financial income	139	178
	<u>9,096</u>	<u>11,329</u>

Continued – Notes

6. Financial expenses, group entities

	2019 DKKt	2018 DKKt
Interest expenses, group entities	32	31
Other financial expenses	14	2
	<u>46</u>	<u>33</u>

7. 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 1/1/2019	210,929	2,767	2,204	2,029	217,929
Additions in the year	0	0	0	1,106	1,106
Transfer to/from other accounts	<u>1,558</u>	<u>682</u>	<u>-</u>	<u>-2,240</u>	<u>0</u>
Cost as 31/12/2019	<u>212,487</u>	<u>3,449</u>	<u>2,204</u>	<u>895</u>	<u>219,035</u>
Depreciation					
Balance at 1/1/2019	182,791	1,527	805	-	185,123
Depreciation	<u>7,996</u>	<u>585</u>	<u>284</u>	<u>0</u>	<u>8,865</u>
Depreciation 31/12/2019	<u>190,787</u>	<u>2,112</u>	<u>1,089</u>	<u>-</u>	<u>193,988</u>
Carrying amount at 31/12/2019	<u>21,700</u>	<u>1,337</u>	<u>1,115</u>	<u>895</u>	<u>25,047</u>

Continued – Notes

8. Prepayments

Prepayments of DKKt 4,069 (2018: DKKt 4,859) operation and maintenance, etc. of fibre cables owned by a third party, are included in prepayments.

9. Shared capital

	31/12 2019	31/12 2018
	<u>DKKt</u>	<u>DKKt</u>
Analysis of the company's share capital, DKK 1,500 thousand:		
1,500 share(s) of DKK 1,000 each	<u>1,500</u>	<u>1,500</u>
	<u>1,500</u>	<u>1,500</u>

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

10. Other provisions

Other provisions are dilapidation provisions comprising rental costs, etc.

11. Security for loans

The company has not placed any assets or other as security for loans at 31/12 2019

12. Contingent liabilities and other financial obligations

	31/12 2019	31/12 2018
	<u>DKKt</u>	<u>DKKt</u>
Other rent and lease liabilities:		
Rent and lease liabilities	<u>2,277</u>	<u>3,106</u>

The Company is jointly taxed with owned Danish subsidiaries. The tax effect of joint taxation is allocated to enterprises in proportion to their taxable incomes.

13. Recommended appropriation of the profit for the year

Retained earnings	<u>14,992</u>	<u>18,477</u>
	<u>14,992</u>	<u>18,477</u>

Continued – Notes

14. Tax of the year

	2019 DKKt	2018 DKKt
Tax on previous years, joint tax contribution	289	0
Deferred Tax at 1/1/2019	5,809	5,355
Adjustment of the deferred tax charge for the year	880	454
Deferred Tax at 31/12/2019	6,689	5809
Tax for the year	1,169	454

Deferred Tax receivables of DKKt 6,689 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.

15. Related parties

Information about related parties with controlling interest:

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

Requisitioning of the parent's consolidated financial statements can be found at:

<http://www.verizon.com/about/investors/annual-reports>

	2019 DKKt	2018 DKKt
Transactions with related partners:		
Purchase of goods from affiliates	1,323	1,881
Sales of services to parent company	3,655	49,141
Purchase of services from parent company	11,216	72,942
Sales of services to affiliates	11,790	15,232
Purchase of services from affiliates	48,128	58,406
Interest income from parent company	5,577	4,128
interest expenses to affiliates	30	27
Receivables from parent company at 31/12 2019	227,425	207,908
Receivables from affiliates at 31/12 2019	4	4
Payables to parent company at 31/12 2019	6,684	11,170
Payables to affiliates at 31/12 2019	1,199	1,149