

Deutsche Telekom Nordic A/S

Dampfærgevej 21, st.
2100 København Ø
CVR no. 41 00 12 75

Annual report for 2021

Adopted at the annual general
meeting on 29 June 2022

chairman

Arendse Dahl Madsen

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Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of Deutsche Telekom Nordic 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 financial year 1 January - 31 December 2021.

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

Management recommends that the annual report should be approved by the company in general meeting.

Copenhagen, 29 June 2022

Executive board

Johan Edward Kallerman

Supervisory board

Thomas Hans-Jürgen Dingel
chairman

Kenneth Salter

Johan Edward Kallerman

Independent auditor's report

To the shareholder of Deutsche Telekom Nordic A/S

Opinion

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 financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the financial statements of Deutsche Telekom Nordic A/S for the financial year 1 January - 31 December 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 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 requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on management's review

Management is responsible for management's review.

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

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

Independent auditor's report

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 the 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 about 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 the 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 these financial statements.

As part of an audit conducted in accordance with ISAs and the 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.

Independent auditor's report

- 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 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.

Hellerup, 29 June 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Leif Ulbæk Jensen
State Authorised Public Accountant
mne23327

Pawel Christof Michalak
State Authorised Public Accountant
mne48479

Company details

The company

Deutsche Telekom Nordic A/S
Dampfærgevej 21, st.
2100 København Ø

CVR no.: 41 00 12 75

Reporting period: 1 January - 31 December 2021

Domicile: Copenhagen

Supervisory board

Thomas Hans-Jürgen Dingel, chairman
Kenneth Salter
Johan Edward Kallerman

Executive board

Johan Edward Kallerman

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Management's review

Principal Activities

The principal activities of the company are telecommunication services. The company commenced trading with effect from 1st January 2020, backdated from 1st July 2020, when the telecommunications portfolio unit of the T-Systems Nordic A/S was separated and transferred to Deutsche Telekom Nordic A/S. The senior management team of MD, CFO and Head of Accounting were recruited and in place with effect from 1st July 2020. Total local headcount of 14 includes 2 additional sales hunters recruited during 2020 and 2021 to reflect the investment in local sales growth. The remainder of the workforce was transferred from T Systems Nordic A/S. The Company traded profitably in 2020, although it made an operating loss in 2021 due to the loss of 1 major customer account IKEA, lost in 2019. New replacement business has already been won.

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

Edward Kallerman (Appointed 1st July 2020)

Kenneth Salter (Appointed 1st July 2020)

Thomas Dingel (Appointed 1st July 2020)

Ultimate parent undertaking and controlling party

The company is wholly owned by Deutsche Telekom Business Solutions GmbH.

Deutsche Telekom AG is the company's ultimate parent company. Deutsche Telekom AG is incorporated in Germany and heads the largest group in which the results of the company are consolidated for statutory purposes and is the ultimate parent undertaking and controlling party of the company. The consolidated financial statements of Deutsche Telekom AG are available to the public and may be obtained from Friedrich- Ebert-Allee 140, 53113 Bonn, Germany.

Management's review

Financial review

For 2021 our performance and financial expectations is in line with expectations with the income statement showing revenue TDKK 74.388, net loss TDKK -15.276 and with shareholders equity of TDKK -1.484. We were able to win customer contract extensions in Denmark, Finland and Sweden.

In early 2020 there has been a global outbreak of COVID-19 (Coronavirus) which has and continues to have a significant and ever-changing impact on the company, the sector and the local economy as a whole through 2021. Management has not identified any material remeasurements of assets and liabilities. The effect of the Coronavirus pandemic on the economy has seen a decline in commercial activity. It is unclear how great the impact on the economy will be, but we expect it to normalise over time.

The company has not made use of any of the Danish Covid-19 compensation schemes.

Significant events occurring after the end of the financial year

In May 2022, the Company's ultimate Parent Company approved a cash capital contribution of DKK 19.3 million. The payment is expected to be executed in July 2022.

Furthermore, the Company's intercompany loan to the Parent Company of DKK 18.5 million has been prolonged and is now due in April 2024.

Other than this, no events materially affecting the assessment of the financial position have occurred after the balance sheet date.

Outlook 2022

Our growth plan with additional sales resource on board will enable the business to recover the loss of our major customer and our outlook is to return to profit. For 2022 we forecast a net loss of DKK -15M.

Going concern

As noted above, the company commenced trading with effect from 1st July 2020. The company has a positive cash balance and the directors have performed monthly cash flow projections to end of 2022 and confirm cash flow remains positive with additional funding from parent company, and they believe that the company will have sufficient cash reserves to meet its business objectives for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Refer also to note 1.

Accounting policies

The annual report of Deutsche Telekom Nordic A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

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

The annual report for 2021 is presented in TDKK.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Revenue

Income is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on sale of intangible and tangible assets as well as income from re-invoiced expenses, etc.

Expenses for service purchases

Expenses for service purchases used in generating the year's revenue, which comprise of service or maintenance of routers or patches and connections in general Network connectivity.

Accounting policies

Other external costs

Other external costs include expenses related 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.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

Useful life

Other fixtures and fittings, tools and equipment 3-5 years

Assets costing less than DKK 30.700 are expensed in the year of acquisition.

Accounting policies

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Residual values and depreciation periods are yearly re-assessed.

Impairment of fixed assets

The carrying amount of items of property, plant and equipment is tested annually for impairment, if indications of impairment exist.

Where there is indication of impairment, an impairment test is performed for each individual asset or group of assets. Write-down is made to the lower of the recoverable amount and the carrying amount.

Receivables

Receivables are measured at amortised cost.

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 is impaired, an impairment loss for that individual asset is recognised.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under 'Equity'.

Accounting policies

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement 1 January - 31 December

	<u>Note</u>	<u>2021</u> TDKK	<u>2020</u> TDKK
Revenue		74.388	161.192
Other operating income		2.833	5.336
Expenses for service purchases		-59.504	-122.622
Other external costs		-9.427	-10.908
Gross profit		8.290	32.998
Staff costs	2	-17.420	-13.345
Profit/loss before amortisation/depreciation and impairment losses		-9.130	19.653
Depreciation, amortisation and impairment of property, plant and equipment		-6.731	-6.229
Other operating costs		-41	-42
Profit/loss before net financials		-15.902	13.382
Financial income	3	506	768
Financial costs	4	-76	-2.831
Profit/loss before tax		-15.472	11.319
Tax on profit/loss for the year	5	196	-3.213
Profit/loss for the year		-15.276	8.106
Recommended appropriation of profit/loss			
Retained earnings		-15.276	8.106
		-15.276	8.106

Balance sheet 31 December

	<u>Note</u>	<u>2021</u> TDKK	<u>2020</u> TDKK
Assets			
Other fixtures and fittings, tools and equipment		<u>20.343</u>	<u>16.992</u>
Tangible assets		<u>20.343</u>	<u>16.992</u>
Total non-current assets		<u>20.343</u>	<u>16.992</u>
Trade receivables		3.612	8.431
Receivables from group enterprises		19.367	34.653
Other receivables		2.033	1.593
Prepayments		<u>133</u>	<u>238</u>
Receivables		<u>25.145</u>	<u>44.915</u>
Cash at bank and in hand		<u>10.235</u>	<u>20.383</u>
Total current assets		<u>35.380</u>	<u>65.298</u>
Total assets		<u><u>55.723</u></u>	<u><u>82.290</u></u>

Balance sheet 31 December

	<u>Note</u>	<u>2021</u> TDKK	<u>2020</u> TDKK
Equity and liabilities			
Share capital		1.010	1.010
Retained earnings		-2.494	13.063
Equity		-1.484	14.073
Other payables		0	659
Total non-current liabilities		0	659
Trade payables		7.010	4.405
Payables to group enterprises		41.560	45.055
Corporation tax		83	3.261
Other payables		8.554	14.837
Total current liabilities		57.207	67.558
Total liabilities		57.207	68.217
Total equity and liabilities		55.723	82.290
Capital resources	1		
Contingent assets	6		
Rent and lease liabilities	7		
Contingent liabilities	8		
Related parties and ownership structure	9		
Subsequent events	10		

Statement of changes in equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January 2021	1.010	13.063	14.073
Exchange adjustments	0	-281	-281
Net profit/loss for the year	0	-15.276	-15.276
Equity at 31 December 2021	1.010	-2.494	-1.484

In May 2022, the Company's ultimate Parent Company approved a cash capital contribution of DKK 19.3 million.

Notes

1 Capital resources

As of 31 December 2021, the Company has lost more than half of its share capital and is therefore covered by the Companies Act's rules on capital losses. After year end, the share capital has been reestablished through a cash capital contribution of DKK 19.3 million.

Since the carve out from T-systems Nordic A/S in 2020, the Company has made scheduled investments in the continuing development of the telecommunication activities in the Nordic market in accordance with the approved business case by the Parent Company, Deutsche Telekom AG. As a consequence hereof, the Company has realized a negative result in 2021 and Management expects further losses of approx. DKK 15 million in 2022. As business recovers from loss of a significant customer and the Company executes the growth plan in order to secure additional business going forward and eventually return to a profit, the activities of Deutsche Telekom Nordic A/S are to a large extent dependent on financing by the Parent Company. As of 31 December 2021, intercompany loans from the Parent Company amounts to DKK 18.6 million. This loan has been prolonged until April 2024 after year end. Furthermore, in January 2022, another loan of DKK 15 million with maturity in January 2024 was granted to the Company. Consequently, Management has prepared the Financial Statements under the precondition of going concern.

Further discussions regarding the long-term liquidity needs of the Company are planned to take place in the second half of 2022. Based on the current outcome of negotiations, Management expects that the Parent Company will continue to support the Company in the future.

	<u>2021</u> TDKK	<u>2020</u> TDKK
2 Staff costs		
Wages and salaries	12.881	10.891
Pensions	2.079	1.079
Other social security costs	2.353	1.052
Other staff costs	<u>107</u>	<u>323</u>
	<u>17.420</u>	<u>13.345</u>
Average number of employees	<u>14</u>	<u>12</u>

Notes

	<u>2021</u> TDKK	<u>2020</u> TDKK
3 Financial income		
Other financial income	0	3
Exchange gains	<u>506</u>	<u>765</u>
	<u>506</u>	<u>768</u>
4 Financial costs		
Interest paid to group enterprises	23	7
Other financial costs	53	39
Exchange loss	<u>0</u>	<u>2.785</u>
	<u>76</u>	<u>2.831</u>
5 Tax on profit/loss for the year		
Current tax for the year	53	3.213
Adjustment of tax concerning previous years	<u>-249</u>	<u>0</u>
	<u>-196</u>	<u>3.213</u>

6 Contingent assets

The Company has a non recognized tax asset of TDKK 4.329 as it is uncertain whether the Company will be able to utilize the asset in the foreseeable future.

Notes

	<u>2021</u> TDKK	<u>2020</u> TDKK
7 Rent and lease liabilities		
Obligations according to operational leasing contracts relating to cars and other equipment	1.222	1.804
Rent obligations	747	0
Future obligations according to operational leasing contracts relating to cars and other equipment due as follows:		
Within 1 year	896	621
Between 1 and 5 years	<u>1.073</u>	<u>1.183</u>
	<u>1.969</u>	<u>1.804</u>

8 Contingent liabilities

The company is jointly taxed with T-Systems Nordic A/S, and jointly and severally liable with other jointly taxed entities for payment of income taxes as well as for payment of withholding taxes on dividends, interest and royalties.

9 Related parties and ownership structure

Controlling interest

Deutsche Telekom Business Solutions GmbH, owns 100%

Consolidated financial statements

The company is reflected in the group report as the parent company Deutsche Telekom AG.

The group report of Deutsche Telekom AG can be obtained at the following address:

Deutsche Telekom AG
Friedrich-Ebert-Alle 140
D-53113 Bonn
Germany

Notes

10 Subsequent events

In May 2022, the Company's ultimate Parent Company approved a cash capital contribution of DKK 19.3 million. The payment is expected to be executed in July 2022.

Furthermore, the Company's intercompany loan to the Parent Company of DKK 18.5 million has been prolonged and is now due in April 2024.

Other than this, no events materially affecting the assessment of the financial position have occurred after the balance sheet date.