Ericsson Danmark A/S

Ørestads Boulevard 108
2300 København S.

CVR-nr. 62 58 08 28

Annual Report for 2018

The Annual Report was presented and adopted at the Annual General Meeting of the Company on May 24, 2019

Chairman

Ulf Gunnar Lundgren

Contents

Statements

Management's Statement on the Annual Report

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Ericsson Denmark A/S for the financial year 1 January - 31 December 2018.

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 financial position at December 31, 2018 of the Company and of the results of the Company operations and cash flows for 2018.

We recommend that the Annual Report is adopted at the Annual General Meeting.

Copenhagen, May 24, 2019

Executive Board

Niclas Backlund

Supervisory Board

Ulf Gunnar Lundgren Chairman	Jenny Elena Lindqvist	Niclas Backlund
Esben Malle	Henning Kaas	

Independent Auditor’s Report

To the Shareholder of Ericsson Denmark, A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018, and of the results of the Company’s operations and cash flows for the financial year January 1 – 31 December 2018 in accordance with the Danish Financial Statement Act.

We have audited the Financial Statements of Ericsson Denmark A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

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' Code of Ethics for Professional Accountants (1ESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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, in our view, 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 in Management's Review.

Management’s Responsibility for the Financial Statement
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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 1SAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 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.

Copenhagen, May 24, 2019
PricewaterhouseCoopers
CVR no 33 77 12 31

Leif Ulbæk Jensen	Lone Vindbjerg Larsen
State Authorised Public Accountant	State Authorised Public Accountant
Mne 23327	Mne 34548

Management's Review

Company Information

The Company	Ericsson Danmark A/S Ørestads Boulevard 108 2300 Copenhagen S. Denmark Telephone: 33 88 33 88 Facsimile: 33 88 33 86 Website: www.ericsson.com/dk/ CVR-nr. 62 58 08 28 Financial year: 1 January - 31 December Municipality of reg. office: Copenhagen
Supervisory Board	Ulf Gunnar Lundgren, Chairman Jenny Elena Lindqvist, Deputy Chairman Niclas Backlund Henning Kaas Esben Malle
Executive Board	Niclas Backlund
Auditors	PricewaterhouseCoopers Strandvejen 44 DK-2900 Hellerup
Banks	SE Banken Landemærket 10 DK-1119 Copenhagen
Controlling shareholder	Telefonaktiebolaget L.M. Ericsson S-164 83 Stockholm Sweden

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2018	2017	2016	2015	2014
	DKK mio.	DKK mio.	DKK mio.	DKK mio.	DKK mio.
Revenue	463	554	561	568	633
Operating profit	10	9	12	12	16
Net financials	(1)	(1)	3	-	-
Net profit/loss for the year	7	6	12	9	12
Balance sheet					
Balance sheet total	244	314	324	265	334
Equity	102	101	107	104	107
Cash flows from:					
Operating activities	(71)	58	77	(18)	18
Investment activities	-	-	-	1	2
- including investment in property, plant and equipment	-	-	(1)	-	-
Financing activities	70	(57)	(77)	17	(20)
Change in cash and eqivalents for the year	(1)	-	-	-	-
Average number of employees	**65**	**121**	**128**	**128**	**145**
Ratios %					
Profit margin	2.2	1.6	2.1	2.1	2.5
Return on assets	4.1	2.9	3.7	4.5	4.8
Return on equity	41.8	32.2	33.0	39.2	32.0

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Market Overview

The telecom market in Denmark continues to be highly competitive although the growth of traffic in the networks seems to slow down slightly. LTE is the dominant technology which is a good starting point for the expected 5G networks to be built. Following the MoU to focus on 5G signed by the prime ministers in the Nordic countries in the summer of 2008, the industry in Denmark has focused on what would be needed to make 5G successful. Spectrum auctions are planned early 2019 for 700 Mhz, 900 Mhz and 2300 Mhz to support early 5G roll out. 3,5 Ghz auction is expected late 2019 or early 2020.

In the fixed networks, the Danes are demanding higher bandwidth to cope with increasingly bandwidth-heavy services like live TV, gaming and video in HD quality. In relation to the political ambition of having all Danes connected with 100 Mbit/s by 2020.

Within Ericsson's core market segments, the company had a promising dialogue with the Danish telecom operators throughout 2018. We expect this dialogue to result in network contracts in the years to come.

In 2019, Ericsson expects to maintain its position as a leading supplier in the market for network solutions for broadband and multimedia. In particular, Ericsson expects to win new supply and service contracts in mobile broadband and services in the Danish and North Atlantic market.

Facts

LTE - Long Term Evolution;
A technology for high digital, wireless communications by means of the Internet, multimedia, video and other applications. LTE is often referred to a 4th generation technology for mobile communications (4G).

5G:
The next generation of mobile network technology, which among other things allows for higher speeds, faster connection times, Internet of Things, etc. The standardization of 5G has started and the technology expected to be launched commercially in Denmark around 2020.

Development in the year

The past year and follow-up on development expectations from last year
Revenue is lower than 2018, and in line with changing business mix.
Operating profit is higher than 2017, which is considered satisfactory considering the lower revenue.

Capital resources
Telefonaktiebolaget L.M. Ericsson provides liquidity, when required, to cover the Company's financial needs, so that the future liquidity is ensured.

Special risks - operating and financial risks

Market risks
As in previous years there is a market risk which may have a negative effect on the Company's sales and earnings if an intensified debate about mobile radiation, resulting in various forms of political intervention, may delay the roll-out of mobile broadband.

Foreign exchange risks
The Company expects no material foreign exchange risks, as the majority of invoicing takes place in DKK and USD.

Interest rate risks
As the Company does not expect to have any interest-bearing net debt, moderate changes in the interest level will not have any material effect on the Company's earnings.

Credit risks
The Company has no material risks in respect of customer receivables. The primary customers are major telecom operators who are not considered to entail special risks. All customers are currently credit rated to avoid losses.

Strategy and objectives

Strategy
It is Ericsson Danmark A/S' strategy to market and sell Ericsson's communication solutions to telecom companies and other companies as well as distributors in Denmark and in the North Atlantic markets. Moreover, there are operations and maintenance of mobile infrastructure as well as service and support activities directed towards the Danish, Scandinavian and global markets.

Targets and expectations for the year ahead
The Company expects that export and domestics revenues in 2019 will be on 2018 level or higher
The Company expects that profit for 2019 will be in line with 2018.

Related parties

The Company mainly buys telecommunication equipment from the sister company Ericsson AB for resale. Moreover, the Company is trading with other sister companies in the form of purchase and sale of service and administrative assistance.
The Company sells development, network roll-out and other support services to sister companies.
The Company has a credit facility with Telefonaktiebolaget L.M. Ericsson.
All transactions are performed on arms-length conditions.

External environment

ICT in combination with a well-integrated corporate sustainability strategy can help tackle a range of global challenges. This is how we work with technological advancements to continue being a responsible and relevant driver of positive change on society. ICT and 5G/ IoT play a positive role in every one of the Sustainable Development Goals and will provide essential infrastructure to help achieve them

Ericssons vision empowering an intelligent, sustainable and connected world – defines our role in society. Ericsson is a world-leading provider of communications technology and services. We are enabling the Networked society with efficient real-time solutions that allow us all to study, work and live our lives more freely in sustainable societies around the world. Through our commitment and actions, we lead by example and are the trusted partner among stakeholders.

Circular economy -As a global company, efficient use of natural resources is important and we use a circular economy thinking as the platform for managing our environmental impact. Our circular economy approach builds on over 20 years of lifecycle assessments, which include data on raw material extraction, manufacturing, transport, use of products, and end-of-life management.

Sustainability and CR are central our commitment to the triple bottom line of responsible financial and environmental performance and socio-economic development.

Our aim is to create positive impacts for our stakeholders and our business while managing environmental, social and ethical risks. Responsible Business Our CR standards are among the highest in the industry. We have strong programs in areas such as human rights, anti-corruption, occupational health and safety, and responsible sourcing, and we continue to support the ten principles of the UN Global Compact and the UN Guiding Principles on Business and Human Rights.

The circular economy encapsulates our approach to environmental sustainability. This includes the environmental impacts of our company, products and services, as well as the use of ICT to reduce the environmental impacts of other sectors. We have become management of materials, waste and water, and in setting ambitious energy goals for 5G.
We are committed to developing and delivering solutions that support climate action by continuing to address energy and CO2e aspects in our own operations, our portfolio and our installed base, as well as further investigating our ability to offset carbon emissions in society.

Continuously Improve Ericsson's own sustainability performance

One of the focus areas of sustainability that we are working with at Ericsson is CO2 reductions. Over the past six years, we have reduced CO2 emissions in absolute terms with 48%. implies a reduction of close to 400 ktonnes CO2e in absolute emissions from facilities , energy usage, product transport and business, travel compared to the 2011 result. We have exceeded the target on our long-term objective to maintain absolute CO2e emissions from our own activities in 2018.

Ericsson Denmark has since 2013 reached Gold status for Green Services. The enterprise has implemented sustainable alternatives for 86% of all services delivered by Coor Services Management.

Quality Control

Today Ericsson has one overall management system for all entities in Ericsson. Certification and assessments of these are performed globally by Ernst & Young.

Business ethics, Anticorruption commitment and Compliance are very important foundations of our business. Assessment is performed according to a global Ericsson audit plan.

Ericsson holds the certificates for ISO 9001, ISO 14001 , OHSAS 18001 and ISO 27001. Assessment is performed according to a global Ericsson assessment plan. Ericsson was recertified by Ernst & Young November 2018 and local recertification was successfully obtained through local audit Denmark September 2018.

Statement of community responsibility according to the Danish Financial Statement Act §99a

Statement of community responsibility covers the period 1 January to 31 December 2018 and is associated with the Annual Report 2018. The company wishes to live up to the legislation and current regulations in the markets and countries where they operate. The company has not independently established policies for responding to community responsibility but follows the general policy of community responsibility established in the Ericsson group, as part of the group strategy and operations.

For further description, please refer to the Annual Report of Telefonaktiebolaget L.M. Ericsson for 2018 and the description at the group website.

https://www.ericsson.com/assets/local/investors/documents/financial-reports-and-filings/annual-reports/ericsson-annual-report-2018-en.pdf

Diversity

A diverse workforce is a strong, competitive, innovative and resilient workforce. Ericsson has a focused strategy aimed at ensuring that our employee base and our leadership teams are as diverse as the world in which we operate.

Diversity acknowledges the differences everyone brings to the workplace. Inclusion confirms that each and every one is valued and welcome. Ericsson strives to be a workplace that respects and appreciates individual differences.

Diversity has been on our agenda for many years – a priority as we operate in 180 countries, have 171 nationalities represented in our workforce.

As the Ericsson Group is working for customers globally, a diverse workforce is extremely important to Ericsson. Our definition of diversity extends beyond gender, race, religion, ethnicity, age and other established parameters to differences in experience, personalities, thoughts, family situation etc.

While we focus on enhancing diversity from many different perspectives, a particular effort has been made over the past few years to increase female representation in leadership roles. There is still much work to be done. The number of women in Ericsson's Denmark total workforce is 10%, reflective of a male dominated industry and the recruitment base from engineering schools.

Among other activities we recruited young professionals during 2018 of which 33% was women.

To address this challenge Ericsson has a threefold global program which starts with top-level commitment, is built in as part of the talent management process and empowers regional leadership to tailor diversity activities to their needs and their markets. Now that we have diversity plans in place in the region, our focus is to execute on these plans.

Our main focus will be on:
• Recruiting more women into core business areas.
• Identifying female leadership talent early in the career.
• Developing talent to increase proportion of senior and executive female leaders.
• Securing support mechanisms for recruiting, promoting and retaining women.
• Visible role models of women leaders.

Ericsson Denmark has obtained equal representation on the Board of Directors. Consequently, no target needs to be set nor reported upon.

Intellectual capital resources

For Ericsson Denmark A/S, it is strategically important that employees and managers at all levels are competent and committed and currently develop their knowledge, competences and qualifications. During 2018, the company focused especially on individual target achievement, securing careers, including competence development. Furthermore, knowledge is sought through networking and forums with other companies and industries. Activities are targeted at the individual and determined by employee and manager in co-operation at the frequent development discussions.

During 2018, a number of competences developing activities have been carried through, both within the technical field in the Company's development entities and within the commercial field. The training requirements are covered through Danish and foreign suppliers as well as through the Group's internal training programs.

Financial Statements

Basis of preparations

The Annual Report of Ericsson Denmark A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

As of 2018 Ericsson Denmark A/S has adopted a new accounting standard IFRS 15 “Revenue from Customer Contracts”, described in section Income Statement – Revenue, page 15. The other accounting policies are unchanged from last year.

The Annual Report for 2018 is presented in DKK thousands.

Recognition and measurement

The financial statements have been prepared under the historical cost method.

All revenues are recognized in the income statement as earned based on the following criteria:

- delivery has been made before year end
- a binding sales agreement has been made
- the sales price has been determined
- Payment has been received at the time of sale or may with reasonable certainty be expected to be received.

Based on the above, revenues are recognised in the income statement as earned, which includes recognition of value adjustments of financial assets and liabilities measured at fair value or amortised cost. Furthermore, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

Leases in respect of property, plant and equipment in terms of which the Company assumes substantially all the risks and rewards incidental to ownership (finance leases) are recognised in the balance sheet at the fair value of the leased asset, if measurable. Alternatively, the net present value, if lower, of future lease payments at the inception of the lease is applied. When computing the net present value, the interest rate implicit in the lease is applied as the discount rate or an approximated value. Assets acquired under finance leases are depreciated and written down for impairment like the other property, plant and equipment of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement. All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement over the lease term.

Translation policies

Transactions in foreign currencies are translated during the year at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Corporation tax and deferred tax

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement. Any share of the tax reported in the income statement arising from profit/loss on extraordinary activities for the year is attributed to such activities, whereas the remaining share is attributed to profit/loss on ordinary activities for the year.

Current tax liabilities and current tax receivable are recognised in receivables in the balance sheet in the event of overpayment of tax on account, and in debt in the event of underpayment of tax on account.

Deferred tax is measured under the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes or other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallize as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement. The deferred tax is calculated on the basis of the current corporation tax rate of 22%.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as” Other receivables” and” Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Income Statement

Revenue

A new accounting standard was implemented as of January 1, 2018: IFRS 15 “Revenue from Customer Contracts”. This is a principle-based model of recognizing revenue from customer contracts. It has a five-step model that requires revenue to be recognized when control over goods and services are transferred to the customer.

Financial information for previous reporting years has been reviewed in order to evaluate if there is any change due to adoption of the new IFRS 15 standard. During the investigation it was concluded that due to the nature of the customer contracts held by Ericsson Denmark A/S no significant change in revenue recognition has occurred upon adoption of the standard. Hence no restatement has been carried out for revenue recognized in current or previous reporting years.

Revenue from the sale of goods for resale, finished goods and services is recognised in the income statement provided that the general criteria have been met, including that delivery and transfer of control have been made to the purchaser by year end, that the amount can be stated reliably and is expected to be received. Revenue is recognised exclusive of VAT and duties and net of discounts relating to sales.

Contract work in progress concerning material contracts is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the sales contract and the stage of completion at the balance sheet date can be measured reliably, and it is probably that the economic benefits, including payments, will flow to the Company.

For small contracts and contracts which involve no labour costs, revenue is recognised under the invoicing principle.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc.

Distribution expenses

Distribution expenses comprise expenses in the form of salaries to sales, management expenses, distribution staff, advertising and marketing expenses as well as operation of cars, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for the administrative staff, office expenses, depreciation, etc.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities as well as extra payments and repayment under the on-account taxation scheme.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Fixtures, fittings, tools and equipment	3-5 years
Leasehold improvements (depending on term of the lease)	5-10 years
Assets under construction	N/A

Gains and losses on current replacement of property, plant and equipment are recognized in Administrative expenses.

Impairment of fixed assets

The carrying amounts of both intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets should be assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Re-assessment of depreciation periods and residual value are performed yearly.

Fixed asset investments

Other receivables and deposits are recognised in the balance sheet at the lower of amortised cost and net realisable value, which here corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable and deposit.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value. The net realisable value of inventories is calculated as the total of future sales revenues expected, at the balance sheet date, to be generated by inventories in the process of normal operations and determined allowing for marketability, obsolescence and development in expected sales sum less the estimated expenses necessary to make the sale.

The cost of goods for resale, raw materials and consumables equals landed cost.

Receivables

Receivables are recognised in the balance sheet at the lower of amortised cost and net realisable value, which as a main rule corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress is, as regards material contracts, measured at the selling price of the work performed based on the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Expenses comprise salaries, materials and indirect contract expenses such as management and administrative expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

For small contracts and contracts involving no labour costs, contract work in progress is recognised at cost.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Prepayments are set off against contract work in progress. Payments received on account in excess of the contract work performed to date are stated separately for each contract and recognised as prepayments received from customers in short-term debt.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments include expenses incurred in respect of subsequent financial years. Such expenses are typically prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend is recognised as a liability at the time of adoption at the Annual General Meeting. Dividend expected to be distributed for the year is disclosed as a separate equity item.

Financial debts

Fixed-interest loans intended held to maturity are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost equal to the capitalised value using the effective interest method; the difference between the proceeds and the nominal value (the capital loss) is recognised in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up settling the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period. Provisions are measured and recognised based on experience with guarantee work. Provisions with an expected maturity exceeding 1 year from the balance sheet date are discounted at the average bond yield.

Deferred income

Deferred income includes payments received in respect of income in subsequent years.

Audit fees

Fees for auditors are accrued based on global agreement with PWC. The total fees paid by the group can be seen in Ericsson Annual Report 2018, section H5.

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for non-cash operating items such as depreciation, amortisation and impairment losses, provisions as well as changes in working capital, interest received and paid and corporation tax paid. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise Cash at bank and in hand. The statement cannot be immediately derived from the financial records.

Financial Ratios

The financial ratios have been calculated in accordance with the guidelines issued by the Danish Society of Financial Analysts.

The financial ratios have been calculated as follows:

Profit margin: $\dfrac{\text{Operating profit x 100}}{\text{Revenue}}$

Return on net assets: $\dfrac{\text{Operating profit x 100}}{\text{Total assets}}$

Solvency ratio: $\dfrac{\text{Equity at year end x 100}}{\text{Total assets}}$

Income Statement 1 January - 31 December

	Note	2018	2017
		DKK '000	DKK '000
Revenue	1	463 481	554 498
Production costs	2	(417 018)	(515 899)
Gross profit/loss		**46 463**	**38 599**
Distribution expenses	2	(28 047)	(29 149)
Administrative expenses	2	(8 219)	(300)
Operating profit/loss		**10 197**	**9 150**
Financial income	3	7 653	709
Financial expenses	4	(8 970)	(2 195)
Profit/loss before tax		**8 880**	**7 664**
Tax on profit/loss for the year	5	(2 007)	(1 842)
Net profit/loss for the year		**6 873**	**5 822**

Balance Sheet at 31 December

Assets	Note	2018	2017
		DKK '000	DKK '000
Other fixtures, fittings, tools and equipment		808	94
Leasehold improvements			980
Assets under construction		46	0
Property, plant and equipment	7	**854**	**1 074**
Deposits		963	1 086
Fixed asset investments	8	**963**	**1 086**
Fixed assets		**1 818**	**2 160**
Inventories	9	**24 429**	**16 192**
Trade receivables		64 515	60 057
Receivables from group enterprises		1 802	2 114
Receivables from group enterprises, cash pool		149 284	224 811
Other receivables		1 803	870
Corporation tax	5		135
Deferred tax asset	5	512	1 831
Prepayments	10	136	4 643
Receivables		**218 052**	**294 461**
Cash at bank and in hand		**0**	**1087**
Current assets		**242 482**	**311 740**
Assets		**244 299**	**313 900**

Balance Sheet at 31 December

Liabilities and equity	Note	2018	2017
		DKK '000	DKK '000
Share capital	11	90 000	90 000
Retained earnings		0	5 003
Proposed dividend for the year		11 876	5 822
Equity		**101 876**	**100 825**
Other provisions		3 832	30 005
Provisions	12	**3 832**	**30 005**
Prepayments received		0	930
Trade payables		31 294	19 346
Payables to group enterprises		47 922	85 070
Corporation tax	5	215	
Other payables	13	20 489	35 137
Deferred income	14	38 671	42 587
Short-term debt		**138 591**	**183 070**
Debt		**138 591**	**183 070**
Liabilities and equity		**244 299**	**313 900**
Contingent liabilities and other financial obligations	15		
Subsequent events	16		

Statement of Changes in Equity

	Share capital	*Retained earnings*	*Proposed dividend*	*Total*
	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January 2017	90 000	5 003	11,957	106 960
Dividend paid			(11,957)	(11 957)
Net profit/loss for the year 2017	-	-	5 822	5 822
Equity at 31 December 2017	**90 000**	**5 003**	**5 822**	**100 825**
Equity at 1 January 2018	90 000	5 003	5,822	100 825
Dividend paid	-		(5 822)	(5 822)
Retained earnings		(5,003)	5 003	0
Net profit/loss for the year 2018	-		6 873	6 873
Equity at 31 December 2018	**90 000**	**0**	**11 876**	**101 876**

Cash Flow Statement 1 January - 31 December

	2018	2017
	DKK '000	DKK '000
Net profit/loss for the year	6 873	5 822
Amortisation, depreciation and impairment of property, plant and equipment	292	338
Loss at sale of fixed assets	0	0
Tax on profit/loss for the year	2 007	1 842
Other adjustments	-	-
Operating profit adjusted for non-cash items	**9 173**	**8,002**
Change in receivables	(573)	55 094
Change in inventories	(8 237)	1 342
Change in other provisions	(26 173)	27 112
Change in other short-term debt	(44 695)	(30 706)
Corporation tax paid/received	(338)	(3 307)
Cash flows from operating activities	**(70 843)**	**57,537**
Purchase of property, plant and equipment	(72)	(100)
Sale of property, plant and equipment	-	-
Fixed asset investments made		-
Repayment of deposits, etc	123	-
Cash flows from investing activities	**51**	**(100)**
Change in cash pool	75 527	(45 480)
Dividend paid	(5 822)	(11 957)
Cash flows from financing activities	**69 705**	**(57,437)**
Change in cash and cash equivalents	**(1 087)**	**-**
Cash and cash equivalents at 1 January	**1 087**	**1 087**
Cash and cash equivalents at 31 December	**(0)**	**1 087**

Notes to the Annual Report

1 Revenue

	2018	2017
	DKK '000	*DKK '000*
Domestic market	340 704	462 755
Exports	122 777	91 743
Revenue	**463 481**	**554 498**

Significant export markets are Sweden, Iceland and Greenland. In accordance with the Danish Financial Statements Act § 96,1 the company has omitted information on segments due to competitive considerations.

2 Staff

Salaries, including severance pay etc	53 307	121 492
Severance pay off set against production costs	-	-
Pensions	10 200	15 148
Other social security expenses	678	871
Staff expenses	**64 184**	**137 511**
Which are expensed as follows:		
Production costs	32 984	108 062
Distribution expenses	23 611	29 149
Administrative expenses	7 589	300
	64 184	**137 511**
Average number of employees	**65**	**121**
Remuneration of the supervisory board	***1646***	***1860***

3 Financial income

	2018	2017
	DKK '000	DKK '000
Interest income group enterprises	973	177
Exchange adjustments	6 679	532
Interest income regarding taxes	1	-
Financial income	**7 653**	**709**

4 Financial expenses

	2018 DKK '000	2017 DKK '000
Interest expenses from banks	(890)	(24)
Exchange adjustments	0	(2)
Other financial expenses	(8 078)	(2 098)
Interest expenses regarding taxes	(2)	(71)
Financial expenses	**(8 970)**	**(2 195)**

5 Corporation tax

	Receivable corporation tax DKK '000	*Deferred tax asset* DKK '000	*Accrued corporation tax* DKK '000	*Acc. to income statement*
Balance at 1 January 2018	135	1 831	-	-
Adjustment previous years	1 157	(1 157)	-	-
Received tax conc. 2017	(1 292)	-	-	-
Tax on account paid conc. 2018	1 630	-	-	-
			-	
Tax on profit/loss for the year	(1 845)	(162)	-	(2 007)
Balance at 31 December 2018	**(215)**	**511**	**-**	**(2 007)**

	2018 DKK '000	2017 DKK '000
22% tax calculated on profit for the year before tax	(1 954)	(1 686)
Tax effect of:		
- Non taxable interest income	-	-
- Non deductible expenses	(53)	(156)
Tax effect due to change of the per cent	-	-
Adjustment of tax concerning previous years	-	-
Tax on profit/loss for the year	**(2 007)**	**(1 842)**

Deferred tax asset

Property, plant and equipment	511	674
Provisions	-	-
Tax loss carryforward	-	1 157
Deferred tax	**511**	**1 831**

Notes to the Annual Report

6 Distribution profit

	2018	2017
	DKK '000	DKK '000
Proposed distribution of current profit	6 873	5 822
Proposed distribution of Retained earnings	5 003	
Proposed Distribution of Profit	**11 876**	**5 822**
Proposed dividend		

7 Property, plant and equipment

	Assets under construction	Leasehold improvments	Other fixtures, fittings, tools and equipment
	DKK '000	DKK '000	DKK '000
Cost at 1 January 2018	-	1 331	2 648
Additions during the year	46		26
Disposals during the year			-
Reclassification during the year		(1 331)	1 331
Cost at 31 December 2018	**46**	**-**	**4 005**
Impairment losses at 1 January 2018	-		(142)
Impairment losses for the year	-		-
Reversed depreciation on disposals for the year	-		-
Impairment losses at 31 December 2018	**-**	**-**	**(142)**
Depreciation at 1 January 2018	-	351	(2 411)
Depreciation for the year			(292)
Reversed depreciation on disposals for the year	-		
Reclassification during the year		(351)	*(351)*
Depreciation at 31 December 2018	**-**	**0**	**(3 055)**
Carrying amount at 31 December 2018	**46**	**0**	**808**
Depreciated over		*5-10 years*	*3-5 years*

Notes to the Annual report

8	Fixed Asset investments	Deposits
		DKK '000
	Cost at 1 January 2018	1 086
	Additions during the year	-
	Disposals during the year	(123)
	Cost at 31 December 2018	**963**
	Impairment losses at 1 January 2018	-
	Impairment losses for the year	-
	Disposals during the year	-
	Impairment losses at 31 December 2018	-
	Carrying amount at 31 December 2018	**963**

9	Inventories	2018	2017
		DKK '000	DKK '000
	Contract work in progress		
	Value of contract work in progress	23 792	15 387
	Invoicing on account	637	805
	Contract work in progress	**24 429**	**16 192**

Notes to the Annual report

10	**Prepayments**	2018	2,017
		DKK '000	DKK '000
	Rent		1
	Leasing		-
	Insurances		89
	Other		14
	Unallocated Supplier Inventory	136	4 539
		136	**4 643**

Deferred items include prepaid expenses for office rent, lease, insurances etc

11 Share capital

The share capital comprises the following shares:	Number of shares	Share amount	Total
		DKK '000	DKK '000
	175	1	175
	1	25	25
	28	100	2 800
	5	200	1 000
	46	500	23 000
	18	1 000	18 000
	5	5 000	25 000
	2	10 000	20 000
			90 000

Notes to the Annual Report

12 Other Provisions

	Restructuring provisions	Total provisions
	DKK '000	DKK '000
Other provisions at 1 January 2018	30 005	30 005
Utilised during the year	(26 173)	(26 173)
Additions, provisions during the year		-
Provisions at 31 December 2018	**3 832**	**3 832**
The due dates are expected to be:		
Within one year	2 878	2 878
Between one and five years	954	954
Provisions at 31 December 2018	**3 832**	**3 832**

Provisions for restructuring costs are related to employees who have been given notice

13 Other debt

	2018	2017
	DKK '000	DKK '000
Accrued staff related items	9 762	9 966
Accrued holiday pay	8 933	18 491
Accrued VAT and other duties	1 794	6 680
Other debt	**20 489**	**35 137**

14 Deferred Income

The item includes deferred revenue, which is billed to its customers not yet delivered

Notes to the Annual Report

15 Contingent liabilities and other financial obligations

	2018	2017
	DKK '000	DKK '000
Within one year	4 246	4 452
Between one and five years	11 699	536
Contingent liabilities and other financial obligations	**15 945**	**4 988**

The company has concluded a number of rental contracts with different duration. Usual restoration obligations lie with the company at a possible emigration of the individual leases. The company incurs regular maintenance costs in connection with the leased premises and based on this, no provision has been made for restoration obligations at a possible emigration. Restoration obligations are recognized at the time the company takes a decision to emigrate from any given lease.

The company is involved in normal commercial disputes. Although the final outcome of these cases can not be predicted, the management believes that these cases will not have any significant impact on company performance or financial situation.

16 Related parties and ownership

Ownership and group relations

The Company is wholy owned by Telefonaktiebolaget L.M. Ericsson, S-164 83 Stockholm, Sweden. This is also the Company's ultimate Parent Company which prepares Consolidated Financial Statements including the Company as a subsidiary. The Consolidated Financial Statements of L.M. Ericsson can be obtained from Ericsson Danmark A/S.

Transactions

The Company primarily purchases telecommunication equipment from the sister company Ericsson AB for resale. Moreover, the Company trades with other sister companies in the form of purchase and sale of service and administrative services.

The Company sells development, network roll-out and other support services to sister companies.

17 Subsequent events

No events materially affecting the assessment of the Annual Report for 2018 have occurred after the balance sheet date.