Ericsson Danmark A/S

Ørestads Boulevard 108
2300 København S.

CVR-nr. 62 58 08 28

Annual Report for 2019

The Annual Report was presented and adopted at the Annual General Meeting of the Company on July 30, 2020

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 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 financial position at December 31, 2019 of the Company and of the results of the Company operations for 2019.

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

Copenhagen, July 30, 2020

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 2019, and of the results of the Company's operations for the financial year January 1 – 31 December 2019 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 2019, which comprise income statement, balance sheet, 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, July 30, 2020
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

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

Management’s Review

Financial Highlights

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

	2019	2018	2017	2016	2015
	DKK '000,000	DKK '000,000	DKK '000,000	DKK '000,000	DKK '000,000
Revenue	481	463	554	561	568
Operating profit	14	10	9	12	12
Net financials	(3)	(1)	(1)	3	-
Net profit/loss for the year	8	7	6	12	9
Balance sheet total	682	244	314	324	265
Equity	98	102	101	107	104
Investment in property, plant and equipment	(3)	-	-	(1)	-
Average number of employees	104	65	121	128	128
Ratios %					
Profit margin	2.9	2.2	1.6	2.1	2.1
Return on assets	2.1	4.1	2.9	3.7	4.5
Return on equity	14.4	41.8	32.2	33.0	39.2

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.

Management's Review

Market Overview

The telecom market in Denmark continues to be highly competitive and we see a continues growth of traffic on average above 40%. Additionally, the topic of 5G is high on the agenda within the telecom industry but also within other industries as the benefits of this technology is getting commonly known and understood as fundament to drive a digitalization of Denmark. Spectrum auction happened in Q1 of 2019 for 700 Mhz, 900 Mhz and 2300 Mhz. The important 3,5 Ghz auction is expected in Q4 of 2020.

Ericsson Denmark set out in 2018 to change its customer base and business mix in line with Ericsson's global strategy. This has paid off during the year of 2019 where we see important wins with customers such as TDC, Hi3G, Telia Denmark, Siminn Iceland and Telepost Greenland. Especially the contract announced in the beginning of 2019 with Ericsson Denmark as the supplier of radio, core and managed services to TDC has significantly changed the course of the company with significant growth on orders and revenue growth expected in 2020.

In 2019 Ericsson took the position in the Danish market as the leading supplier in the market for network solutions for mobile networks. Going forward, Ericsson expects to win additional 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 higher than 2018 (2019: 481 M DKK; 2018: 463 M DKK), and in line with changing business mix. Operating profit is higher than 2018 (2019: 11 M DKK, 2018: 10 M DKK), which is considered satisfactory considering the 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

<u>Market risks</u>
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. The other significant risk we see is the delay of access to the valuable 3,5 Ghz spectrum, the auction is planned but we are still awaiting the outcome and the confirmed timing of access to the spectrum.

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

<u>Interest rate risks</u>
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.

<u>Credit risks</u>
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

<u>Strategy</u>
It is Ericsson Danmark A/S' strategy to market and sell Ericsson's communication solutions to mobile operators, and in selected cases, to other companies in Denmark and in the North Atlantic markets. Moreover, Ericsson Denmark A/S provides operations and maintenance of mobile infrastructure as well as service and support activities directed towards the Danish and North Atlantic markets.

<u>Targets and expectations for the year ahead</u>
The Company expects that export and domestics revenues in 2020 will be significantly higher compared to 2019. The Company expects that the profit for 2020 will be in line with 2019.

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

Sustainability and corporate responsibility are integrated into Ericsson's business and the Company's commitment to the triple bottom line of responsible environmental performance and social and economic development.

Conducting business responsibly is a cornerstone of the Company's strategy and culture. Ericsson believes that access to communication is a basic human need and that technology is a driver to improve people's lives. The Company's ambition is to be a responsible and relevant driver of positive change in society.

The Company's declared vision and purpose, "Empowering an intelligent, sustainable and connected world", embodies the breadth of what Ericsson aims to do and how to contribute to the sustainable development agenda outlined in the UN's Sustainable Development Goals (SDGs).

Ericsson believes that digitalization is fundamental to achieving all 17 of the SDGs, and that delivering internet access to the unconnected through mobile broadband solutions is both a business opportunity and a powerful way to make a positive impact on society.

Ericsson is also committed to reducing risk in the company and for its stakeholders, and to minimizing negative economic, environmental and social impacts. Ericsson's approach to sustainability and corporate responsibility is integrated into its business operations and performance is regularly measured, assessed and assured.

The Company believes that new technologies, such as 5G and IoT, will be fundamental means for industries, cities and countries to reduce their carbon footprints exponentially so as to achieve the targets in the Paris Agreement set to strengthen the global response to the threat of climate change.

Strategic priorities

Ericsson's sustainability and corporate responsibility strategic priorities are part of the Company's business strategy and are embedded across the Company. At Ericsson, sustainability and corporate responsibility are cornerstones of building a company for the future which creates lasting value and works with two main aims: creating positive impacts and reducing risks. The sustainability and corporate responsibility strategy focuses on three areas: responsible business; climate action, energy and environment; and internet for all. Integrating sustainability and corporate responsibility into the Company's business operations helps Ericsson to improve sustainability performance and differentiate itself from its competitors. Technology leadership enables Ericsson to bring the most innovative and best solutions to the market and to create a growing, inclusive and sustainable economy.

Sustainability ambition

Ericsson has set sustainability and corporate responsibility objectives based on the Company's strategy. The objectives reflect the Company's ambition both to increase positive impacts and to mitigate risks. In 2019 and in line with Ericsson's focused business strategy, the Company has simplified and reviewed the number of objectives disclosed in previous sustainability and corporate responsibility reports.

Key highlights - Performance 2019

Responsible business

- By the end of 2019, 99% of Ericsson employees acknowledged the company Code of Business Ethics, ensuring their understanding and commitment to the principles of the Code.
- The Code of Conduct for Business Partners was updated strengthening the focus in areas such as anti-corruption, privacy and environmental management.
- Anti-bribery and corruption training efforts continued and over 89,000 employees completed the mandatory online anti-corruption training.

Environmental sustainability

- In absolute terms Ericsson achieved a 24% reduction of our Science-Based Target for carbon emissions from our own activities compared to baseline 2016.
- Ericsson's current 5G radios are already approximately five times more energy efficient (for the same data transferred) than 4G portfolio (baseline 2017).
- Ericsson achieved a 32% energy saving of our Science-Based Target from delivered Ericsson Radio System (ERS) compared to legacy portfolio (baseline 2016).

Digital inclusion

- A joint research project with Imperial College in London shows that on average, a 10% increase in the mobile broadband adoption ratio causes a 0.8% increase in GDP. The cooperation continued in 2019 with a focus on the correlation between Internet of Things (IoT) deployment and productivity as well as GDP.
- Access to mobile broadband for all offers unprecedented opportunities to improve social inclusion, sustainable innovation, economic growth and productivity. Year on year, the number of subscribers that get access to internet through Ericsson's mobile broadband solutions has increased with approximately 115 million.
- Ericsson's Technology for Good employee volunteer program is being rolled-out step-wise globally and it has activated employees in more than 80 countries, with more than 2,600 registered employee volunteers on its platform. Employees engage in Connect to Learn and Ericsson Response, as well as in different locally relevant initiatives.

Key highlights - New targets set 2019

- Ericsson is carbon neutral by 2030 in its own operations (fleet vehicles and facility energy usage).
- Occupational health and safety major incidents by a minimum of 30% by 2022 (baseline 2019).
- Strengthen and enhance Ericsson's Ethics and Compliance program in order to develop a best in class Anti-Corruption Compliance Program by 2022.

Ericsson Sustainability and Corporate Responsibility report 2019:
https://www.ericsson.com/49830a/assets/local/about-ericsson/sustainability-and-corporate-responsibility/documents/2020/2019-sustainability-and-corporate-responsibility-report.pdf

Quality Control

Ericsson has one overall Group 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 assessment 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 December 2019.

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

Statement of community responsibility covers the period 1 January to 31 December 2019 and is associated with the Annual Report 2019. 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 2019 and the description at the group website.

https://www.ericsson.com/495c1f/assets/local/investors/documents/2019/ericsson-annual-report-2019-en.pdf

Statutory statement of 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 15% at the end of the year, reflective of a male dominated industry and the recruitment base from engineering schools.

Among other activities we recruited young professionals during 2019 of which 66% was women.

For the Board of Directors 1 out of 3 members elected by the general assembly are women and thus gender equality has been achieved.

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.

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 2019, 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 2019, 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.

Expected development

The Company's outlook for the future will be negatively affected by the COVID-19 outbreak and the measures taken by governments in most of the world [the Danish Government] to mitigate the impacts of the outbreak, see also subsequent events disclosures in Note 1. It is, however, too early yet to give an opinion as to the extent of the negative implications on the Company's outlook.

Financial Statements

Basis of preparations

The Annual Report of Ericsson Denmark A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies are unchanged from last year.

The Annual Report for 2019 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

Revenue from the sale of goods for resale, finished goods and services is recognised in the income statement in accordance with measurement criteria in IFRS15, 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.

A significant part of Inventories is Contract work in progress (CWIP). Recognition and derecognition of CWIP relates to the Company’s revenue recognition principles meaning that costs incurred under a customer contract are initially recognized as CWIP. When the related revenue is recognized, CWIP is derecognized and is instead recognized as Cost of sales.

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 PricewaterhouseCoopers. The total fees paid by the group can be seen in Ericsson Annual Report 2019, section H5.

According to the Danish Financial Statements Act § 86,4 a Cashflow statement is not prepared.

For Cash Flow Statement, please refer to the Cash Flow Statement in the Consolidated Financial Statements for Telefonaktiebolaget L.M. Ericsson for 2019, https://www.ericsson.com/en/investors/financial-reports/annual-reports.

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	2019	2018
		DKK '000	DKK '000
Revenue	2	480 557	463 481
Production costs		(418 164)	(417 018)
Gross profit/loss		**62 393**	**46 463**
Distribution expenses		(36 987)	(28 047)
Administrative expenses		(11 621)	(8 219)
Operating profit/loss		**13 785**	**10 197**
Financial income	4	5 362	7 653
Financial expenses	5	(8 257)	(8 970)
Profit/loss before tax		**10 890**	**8 880**
Tax on profit/loss for the year	6	(2 493)	(2 007)
Net profit/loss for the year		**8 397**	**6 873**

Balance Sheet at 31 December

Assets	Note	2019	2018
		DKK '000	DKK '000
Other fixtures, fittings, tools and equipment		2 740	808
Leasehold improvements		56	0
Assets under construction		138	46
Property, plant and equipment	7	**2 934**	**854**
Deposits		**1 722**	**963**
Fixed asset investments	8	**1 722**	**963**
Fixed assets		**4 656**	**1 818**
Inventories	9	**70 436**	**24 429**
Trade receivables		197 635	64 515
Receivables from group enterprises		54 010	1 802
Receivables from group enterprises, cash pool		350 774	149 284
Other receivables		2 709	1 803
Deferred tax asset	6	422	512
Prepayments	10	1 541	136
Receivables		**607 091**	**218 052**
Cash at bank and in hand		**0**	**0**
Current assets		**677 527**	**242 482**
Assets		**682 183**	**244 299**

Balance Sheet at 31 December

Liabilities and equity	Note	2019	2018
		DKK '000	DKK '000
Share capital	11	90 000	90 000
Retained earnings		0	0
Proposed dividend for the year		0	11 876
Net profit/loss for the year		8 397	0
Equity		**98 397**	**101 876**
Other provisions		1 751	3 832
Provisions	12	**1 751**	**3 832**
Other long-term debts		3 965	0
Long term-debts		**3 965**	**0**
Prepayments received	13	232 395	0
Trade payables		61 777	31 294
Payables to group enterprises		89 915	47 922
Payables to group enterprises, Cash pool		108 220	0
Corporation tax	6	1,151	215
Other payables	14	25 413	20 489
Deferred income	15	59 200	38 671
Short-term debt		**578 070**	**138 591**
Liabilities and equity		**682 183**	**244 299**
Subsequent events	1		
Contingent liabilities and other financial obligations	16		
Related parties and ownership	17		
Distribution of profit	18		

Statement of Changes in Equity

	Share capital	*Retained earnings*	*Proposed dividend*	*Total*
	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January 2018	90 000	5 003	5 822	100 825
Dividend paid	0	0	(5 822)	(5 822)
Retained earnings		(5 003)	5 003	0
Net profit/loss for the year 2018	0	0	6 873	6 873
Equity at 31 December 2018	**90 000**	**0**	**11 876**	**101 876**
Equity at 1 January 2019	90 000	0	11 876	101 876
Dividend paid	0	0	(11 876)	(11 876)
Net profit/loss for the year 2019	0	8 397	0	8 397
Equity at 31 December 2019	**90 000**	**8 397**	**0**	**98 397**

Notes to the Annual report

1 Subsequent events

The management of the Company took note about the late 2019 news emerged from China about the COVID-19 (Coronavirus) and its outbreak at global level in the first few months of 2020.
In this respect, the management continuously monitored the situation and made necessary decisions also following the dynamic of the events.

While this is still an evolving situation at the time of issuing the financial statements of the Company, we consider that this crisis will not have an immediate impact on our business in Denmark and as well in the business sector we operate. However, the evolution is highly unpredictable, and the management will continue to monitor the potential impact and take the necessary steps to minimize any potential effects.

The management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefor a non-adjusting event to the company. Management has not subsequently identified any material remeasurements of assets and liabilities.

Notes to the Annual Report

2 Revenue

	2019	2018
	DKK '000	*DKK '000*
Markets:		
Denmark	381 233	340 703
Nordics	97 426	120 559
Other	1 898	2 219
	480 557	**463 481**
Activities:		
Networks	245 452	288 400
Digital Services	129 307	82 851
Managed Services	77 801	64 067
Emerging Business and Other	25 191	21 929
Other services	2 806	6 234
	480 557	**463 481**

3 Staff

Salaries, including severance pay etc	93 090	53 307
Pensions	10 528	10 200
Other social security expenses	248	678
Staff expenses	**103 866**	**64 184**
Which are expensed as follows:		
Production costs	65 907	32 984
Distribution expenses	28 940	23 611
Administrative expenses	9 018	7 589
	103 866	**64 184**
Average number of employees	**104**	**65**
Remuneration of the Supervisory board and Executive board	***2346***	***1855***

The management is included in Ericsson's Long-term variable compensation program. The compensation for management includes adjustments of liabilities for share and option programs.

4 Financial income

	2019	2018
	DKK '000	DKK '000
Interest income group enterprises	649	973
Exchange adjustments	4 713	6 679
Interest income regarding taxes	0	1
Financial income	**5 362**	**7 653**

5 Financial expenses

	2019 DKK '000	2018 DKK '000
Interest expenses from banks	(446)	(890)
Other financial expenses	(7 805)	(8 078)
Interest expenses regarding taxes	(6)	(2)
Financial expenses	**(8 257)**	**(8 970)**

6 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 2019	(215)	512	-	-
Adjustment previous years	-	-	-	-
Payment tax conc. 2018	214	-	-	-
Tax on account paid conc. 2019	1 253	-	-	-
Tax on profit/loss for the year	(2 403)	(90)	-	(2 493)
Balance at 31 December 2019	**(1151)**	**422**	**-**	**(2 493)**

	2019 DKK '000	2018 DKK '000
22% tax calculated on profit for the year before tax	(2 396)	(1 954)
Tax effect of:		
- Non taxable interest income	-	-
- Non deductible expenses	(97)	(53)
Tax effect due to change of the per cent	-	-
Adjustment of tax concerning previous years	-	-
Tax on profit/loss for the year	**(2 493)**	**(2 007)**

Deferred tax asset

Property, plant and equipment	422	512
Provisions	-	-
Tax loss carryforward	-	-
Deferred tax	**422**	**512**

Notes to Annual Report

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 2019	46	-	4 005
Additions during the year	2 442	84	
Disposals during the year			-
Reclassification during the year	(2 350)	-	2 266
Cost at 31 December 2019	**138**	**84**	**6 271**
Impairment losses at 1 January 2019	-	-	(142)
Impairment losses for the year	-	-	-
Reversed depreciation on disposals for the year	-	-	-
Impairment losses at 31 December 2019	**-**	**-**	**(142)**
Depreciation at 1 January 2019	-	-	(3 055)
Depreciation for the year		(28)	(334)
Reversed depreciation on disposals for the year	-	-	
Reclassification during the year			
Depreciation at 31 December 2019	**-**	**(28)**	**(3 389)**
Carrying amount at 31 December 2019	**138**	**56**	**2 740**
Depreciated over		*5-10 years*	*3-5 years*

Notes to the Annual report

8	**Fixed Asset investments**	Deposits
		DKK '000
	Cost at 1 January 2019	963
	Additions during the year	759
	Disposals during the year	0
	Cost at 31 December 2019	**1 722**
	Impairment losses at 31 December 2019	0
	Carrying amount at 31 December 2019	**1 722**

9	**Inventories**	2019	2018
		DKK '000	DKK '000
	Contract work in progress	**70 436**	**24 429**
		70 436	**24 429**

Notes to the Annual report

10 Prepayments

	2019	2018
	DKK '000	DKK '000
Prepaid expenses	1 541	136
	1 541	**136**

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 2019	3 832	3 832
Utilised during the year	(2 081)	(2 081)
Additions, provisions during the year		-
Provisions at 31 December 2019	**1 751**	**1 751**
The due dates are expected to be:		
Within one year	1 652	1 652
Between one and five years	99	99
Provisions at 31 December 2019	**1 751**	**1 751**

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

13 Prepayments received	2019	2018
	DKK '000	DKK '000
Advances received from customers	232 395	0
	232 395	**0**

14 Other debt	2019	2018
	DKK '000	DKK '000
Accrued staff related items	10 284	9 762
Accrued holiday pay	9 328	8 933
Accrued VAT and other duties	5 801	1 794
Other debt	**25 413**	**20 489**

15 Deferred Income

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

Notes to the Annual Report

16	Contingent liabilities and other financial obligations	2019	2018
		DKK '000	DKK '000
	Within one year	8 732	4 246
	Between one and five years	13 318	11 699
	Contingent liabilities and other financial obligations	**22 050**	**15 945**

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.

17 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 Telefonaktiebolaget 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.
All transactions between affiliated entities have been conducted on arm’s length basis.

Notes to the Annual report

18 Distribution of profit

	2019	2018
	DKK '000	DKK '000
Proposed dividends	0	11 876
Retained earnings	8 397	(5 003)
	8 397	**6 873**