

# Ericsson Danmark A/S

Ørestads Boulevard 108  
2300 København S.

**CVR-nr. 62 58 08 28**

## Annual Report for 2020

The Annual Report was presented and adopted at the Annual General Meeting of the Company on May 21, 2021

**Chairman**

Nils Emmelin

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# 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 2020.

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, 2020 of the Company and of the results of the Company operations for 2020.

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

Copenhagen, May 21, 2021

### Executive Board

Niclas Backlund

### Supervisory Board

Nils Emmelin

Jenny Elena Lindqvist

Niclas Backlund

Chairman

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 2020, and of the results of the Company's operations for the financial year January 1 – 31 December 2020 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 2020, 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 (IESBA 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 ISAs 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.

DELOITTE STATSAUTORISERET REVISIONSPARTNERSELSKAB  
Weidekampsgade 6  
2300 København S

State Authorised Public Accountant  
Christian Sanderhage  
Mne23347

# Company Information

## The Company

Ericsson Danmark A/S  
Ørestads Boulevard 108  
2300 Copenhagen S.  
Denmark

Telephone: 33 88 33 88  
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Website: [www.ericsson.com/dk/](http://www.ericsson.com/dk/)

CVR-nr. 62 58 08 28  
Financial year: 1 January - 31 December  
Municipality of reg. office: Copenhagen

## Supervisory Board

Nils Emmelin, Chairman  
Jenny Elena Lindqvist, Deputy Chairman  
Niclas Backlund  
Henning Kaas  
Esben Malle

## Executive Board

Niclas Backlund

## Auditors

DELOITTE                   STATSAUTORISERET  
REVISIONSPARTNERSELSKAB

## 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:

	2020	2019	2018	2017	2016
	DKK '000,000	DKK '000,000	DKK '000,000	DKK '000,000	DKK '000,000
Revenue	1,260	481	463	554	561
Operating profit	19	14	10	9	12
Net financials	(2)	(3)	(1)	(1)	3
Net profit/loss for the year	13	8	7	6	12
Balance sheet total	1,181	682	244	314	324
Equity	111	98	102	101	107
Investment in property, plant and equipment	-	(3)	-	-	1
Average number of employees	171	104	65	121	128
<b>Ratios %</b>					
Profit margin	1.5	2.9	2.2	1.6	2.1
Return on assets	1.6	2.1	4.1	2.9	3.7
Return on equity	9.4	14.4	41.8	32.2	33.0

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.

# Management's Review

## Primary Activities

2020 was in many ways a historical year for us at Ericsson Denmark as we managed to deliver on customer commitments and at the same time continue to win market share.

In 2020:

- 1) We had a lot of focus on the modernization of TDC's radio network, and we finalized the project ahead of time and could as the first Nordic country launch 5G nationwide.
- 2) We operated TDC mobile network by means of our Operations Engine, that increased stability to unprecedented levels, in fact TDC have experienced the most stable network in 20+ years, which was important during the Covid-19 pandemic.
- 3) We started to show the value of 5G through our Innovation Hub collaboration with TDC, for example through the implementation of 5G at Grundfos production site to support robotics and automation.
- 4) We also increased our footprint through the win with Hi3G Denmark to modernize its radio and core network which we look forward to deliver during 2021 and 2022. During the end of 2020 we delivered the first Ericsson 5G sites implemented and commercially launched in December.
- 5) Deliveries to our partner customers on Iceland (Siminn) and Greenland (Telepost) continued
- 6) We launched a mission critical push to talk system together with Føroya Tele to support first responders on Faroe Islands

In 2020 Ericsson took the position in the Danish market as the leading supplier for network solutions and services for mobile networks. Going forward, our focus is to deliver value on top of networks to our customers and we expect to win additional supply and service contracts for mobile broadband in the Danish and North Atlantic market.

## Market Overview

2020 was a very different year with Covid-19 impacting every aspect of people's lives. It was also the year where the importance of our telecommunications networks became better known by most people. As the pandemic got a grip in Europe, one of the remedies was to have people working from their homes in a way to limit the spread of the virus. This meant for countries such as Denmark that telecommunications infrastructure was ensuring that societies to a large extent could function close to normal, and the economic impact was reduced. At Ericsson Denmark, our main focus has been to ensure the maximum robustness and capacity growth of the networks we build and support to keep the societies running.

Generally speaking, the telecom market in Denmark continues to be highly competitive and we see a continues growth of data 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 a fundament to drive the digitalization of societies.

## Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.



## **Development in the year**

### **The past year and follow-up on development expectations from last year**

Revenue is significantly higher in 2020 compared to previous years (2020: 1260; 2019: 481 M DKK; 2018: 463 M DKK), and in line with the delivery and growth of the company.

Following the revenue growth, also the operating profit has increased (2020: 19 M DKK; 2019: 14 M DKK, 2018: 10 M DKK).

### **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.

The extent of the Covid-19 impact on the macro-economics is an uncertainty on the sales development.

#### 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

The Company is exposed to interest rate risk through market value fluctuations in certain balance sheet items and through changes in interest revenues and expenses. The interest rates have been low and stable in the Nordic countries.

#### 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 mobile operators, and in selected cases, to enterprises 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.

#### Targets and expectations for the year ahead

The Company expects that export and domestic revenues and profit in 2021 to be in line with 2020.

### **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.

# **Statement of corporate social responsibility according to the Danish Financial Statement Act §99a**

Sustainability is central to Ericsson's purpose to empower an intelligent, sustainable and connected world and thus the company focus on sustainability is embedded across operations and is becoming an ever more fundamental part of our business.

Ericsson integrates sustainability and corporate responsibility into its business strategy to measure and evaluate our environmental, social and economic performance, drive business transformation and create value for stakeholders.

Statement of community responsibility covers the period 1 January to 31 December 2020 and is associated with the Annual Report 2020. 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. According to the requirement in the Danish Financial Statement Act §99a please refer to the report:

[Sustainability and Corporate Responsibility Report 2020](#)

For further description, please refer to the Annual Report of Telefonaktiebolaget L.M. Ericsson for 2020 and the description at the group website.

## **Empowering an intelligent, sustainable and connected world**

For more than a century, our technologies have transformed every sector of society, helping to create positive change. We remain committed to leading this journey. Building on our founder's core belief of making communication available for all, we have been the driving force behind some of the most powerful technologies known to mankind. Our industry is one of the few that touches almost everyone, everywhere on a daily basis, and by 2020, 90% of the world's population will be covered by mobile broadband networks. We hold more than 57,000 granted patents that have transformed lives, industries and society as a whole.

## **Sustainability is value creator**

Integrating sustainability and responsible business practices and programs across the company helps run operations more efficiently. We focus on product energy performance, can help reduce total cost of ownership for operators' networks as well as support positive social and environmental impacts. This effort aims to improve performance across the value chain and differentiate Ericsson from its competitors.

## **Conducting business responsibly**

Conducting business responsibly is fundamental to Ericsson's strategy and culture. We support the Ten Principles of the UN Global Compact and the UN Guiding Principles on Business and Human Rights. While there is always additional work to be done, we believe that a commitment to doing the right thing and taking responsibility for actions across the value chain is fundamental to its success. In addition to a dedicated compliance team to guide our company, every employee is responsible for ensuring compliance.

The implementation of these policies and directives, risk management and achievement of objectives are audited by an external assurance provider, under our Global Assessment Program.

More in-depth information in our [Sustainability and Corporate Responsibility report](#)

## **Diversity and inclusion**

We believe that diverse inclusive teams drive performance and innovation, creating greater business value.

Therefore, we believe that inclusion and diversity are some of the most important building blocks of our company and they are fundamental to our business development, our company cultures and our core values. In the light of the changing global environment, we believe that the role of an inclusive and diverse workplace, will be even more critical in the future.

## **Technology as driver of positive change**

We believe that access to communication is a basic human need and that technology developed and deployed responsibly can improve people's lives. Ericsson is committed to creating positive impacts to society through its technology, solutions, expertise of its employees and its partnerships.

## **Digital inclusion**

For more than a century, Ericsson's technologies have transformed sectors across society. We remain committed to leading this journey and believes that deployment of mobile broadband networks can help tackle a range of global challenges.

We continue to research and develop products and services that support and reach for the accessibility and affordability of communication infrastructure by offering services that drive sustainable economic growth and innovative solutions across areas such as education, financial services, health and humanitarian response.

[Explore examples and cases of Ericsson projects that address the SDGs.](#)

Ericsson believes that partnerships are at the heart of the Sustainable Development Goals, and public-private partnerships play a key role in our approach to sustainability and digital inclusion. We drive two public-private partnership programs globally: [Connect to Learn](#) and [Ericsson Response](#).

[\*Mapping the gap in school connectivity\*](#)

With half of the world's population lacking internet access today, connectivity is crucial to tackle the challenges young people face in obtaining quality education and future employment.

We have joined forces with UNICEF to help close the gap by mapping unconnected schools worldwide.

## **Ericsson and the Sustainable Development Goals.**

This is how we work with sustainable development – and with each of the United Nations' 17 Sustainable Development Goals (SDGs) to enhance financial and social inclusion, contribute to overcome global environmental challenges, improve access to education and health, and support humanitarian efforts.

[Sustainability and Corporate Responsibility Report 2020](#)

## Quality Control

Ericsson has one overall Group management system for all entities in Ericsson. Certification and assessments of these are performed globally by **BSI (British Standardization Institute)**.

Ericsson Denmark was subject to internal assessment 2020. 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, ISO 45001 and ISO 27001. Assessment is performed according to a global Ericsson assessment plan.

Ericsson was recertified by BSI December 2020.

## 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.

And therefore, the Ericsson Denmark office mirror the Ericsson group. We are 171 employees and we're representing 24 different nationalities in our workforce.

## Statutory statement of gender composition in the management according to the Danish Financial Statement Act §99b.

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 with regard to the requirement in the Danish Financial Statement Act §99b, 20% of people managers in Ericsson Denmark are represented by women. There is still much work to be done. The number of women in Ericsson's Denmark total workforce is 17% at the end of the year, reflective of a male dominated industry and the recruitment base from engineering schools.

Different initiatives are ongoing aiming for attracting more female. Together with one of our customers we have established an innovation board of which 67% from the Ericsson Denmark is women. We continue our program of recruiting young professionals and for 2020 this was 50% 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 2020, 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 2020, 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 sees a risk where future will be negatively affected by the COVID-19 outbreak and the measures taken by the government to mitigate the impacts of the outbreak. 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 2020 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 2020 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.

# **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 Deloitte. The total fees paid by the group can be seen in Ericsson Annual Report 2020, section H5.

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

## **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: 
$$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$$

Return on net assets: 
$$\frac{\text{Operating profit} \times 100}{\text{Total assets}}$$

Solvency ratio: 
$$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$$

## Income Statement 1 January - 31 December

	<u>Note</u>	<u>2020</u> DKK '000	<u>2019</u> DKK '000
Revenue	1	1 260 314	480 557
Production costs		<u>(1 186 361)</u>	<u>(418 164)</u>
<b>Gross profit/loss</b>		<b>73 953</b>	<b>62 393</b>
Distribution expenses		(40 805)	(36 987)
Administrative expenses		<u>(14 243)</u>	<u>(11 621)</u>
<b>Operating profit/loss</b>		<b>18 905</b>	<b>13 785</b>
Financial income	3	5 646	5 362
Financial expenses	4	<u>(7 900)</u>	<u>(8 257)</u>
<b>Profit/loss before tax</b>		<b>16 651</b>	<b>10 890</b>
Tax on profit/loss for the year	5	<u>(3 714)</u>	<u>(2 493)</u>
<b>Net profit/loss for the year</b>		<b>12 937</b>	<b>8 397</b>

## Balance Sheet at 31 December

Assets	Note	2020 DKK '000	2019 DKK '000
Other fixtures, fittings, tools and equipment		2 025	2 740
Leasehold improvements		28	56
Assets under construction		0	138
<b>Property, plant and equipment</b>	6	<b>2 053</b>	<b>2 934</b>
Deposits		<b>1 724</b>	<b>1 722</b>
<b>Fixed asset investments</b>	7	<b>1 724</b>	<b>1 722</b>
<b>Fixed assets</b>		<b>3 777</b>	<b>4 656</b>
<b>Inventories</b>	8	<b>138 780</b>	<b>70 436</b>
Trade receivables		832 387	197 635
Receivables from group enterprises		22 899	54 010
Receivables from group enterprises, cash pool		178 001	350 774
Other receivables		3 902	2 709
Deferred tax asset	5	361	422
Prepayments	9	704	1 541
<b>Receivables</b>		<b>1 038 255</b>	<b>607 091</b>
<b>Cash at bank and in hand</b>		<b>0</b>	<b>0</b>
<b>Current assets</b>		<b>1 177 035</b>	<b>677 527</b>
<b>Assets</b>		<b>1 180 812</b>	<b>682 183</b>

## Balance Sheet at 31 December

<b>Liabilities and equity</b>	<u>Note</u>	<u>2020</u>	<u>2019</u>
		DKK '000	DKK '000
Share capital	10	90 000	90 000
Retained earnings		8 397	0
Net profit/loss for the year		<u>12 937</u>	<u>8 397</u>
<b>Equity</b>		<b>111 334</b>	<b>98 397</b>
Other provisions		<u>0</u>	<u>1 751</u>
<b>Provisions</b>	11	<b>0</b>	<b>1 751</b>
Other long-term debts	12	<u>14 283</u>	<u>3 965</u>
<b>Long term-debts</b>		<b>14 283</b>	<b>3 965</b>
Prepayments received	13	19 563	232 395
Trade payables		168 790	61 777
Payables to group enterprises		18 847	89 915
Payables to group enterprises, Cash pool		625 568	108 220
Corporation tax	5	4,246	1 151
Other payables	14	56 389	25 413
Deferred income	15	161 792	59 200
<b>Short-term debt</b>		<u>1055 195</u>	<u>578 070</u>
<b>Liabilities and equity</b>		<b>1180 812</b>	<b>682 183</b>
Subsequent events	19		
Contingent liabilities and other financial obligations	16		
Related parties and ownership	17		
Distribution of profit	18		

## Statement of Changes in Equity

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Proposed dividend</i>	<i>Total</i>
	DKK '000	DKK '000	DKK '000	DKK '000
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
<b>Equity at 31 December 2019</b>	<b>90 000</b>	<b>8 397</b>	<b>0</b>	<b>98 397</b>
Equity at 1 January 2020	90 000	8,397	0	98 397
Net profit/loss for the year 2020	0	12 937	0	12 937
<b>Equity at 31 December 2020</b>	<b>90 000</b>	<b>21 334</b>	<b>0</b>	<b>111 334</b>

# Notes to the Annual Report

<b>1 Revenue</b>	2020	2019
	DKK '000	DKK '000
<b>Markets:</b>		
Denmark	1188 043	381 233
Nordics	71 265	97 426
Other	1 006	1 898
	<b>1 260 314</b>	<b>480 557</b>
<b>Activities:</b>		
Networks	990 898	245 452
Digital Services	114 221	129 307
Managed Services	138 772	77 801
Emerging Business and Other	16 378	25 191
Other services	45	2 806
	<b>1 260 314</b>	<b>480 557</b>
<b>2 Staff</b>		
Salaries, including severance pay etc	157 753	93 090
Pensions	17 899	10 528
Other social security expenses	704	248
<b>Staff expenses</b>	<b>176 356</b>	<b>103 866</b>
Which are expensed as follows:		
Production costs	135 331	65 907
Distribution expenses	28 861	28 940
Administrative expenses	12 164	9 018
	<b>176 356</b>	<b>103 866</b>
<b>Average number of employees</b>	<b>171</b>	<b>104</b>
Remuneration of the Supervisory board and Executive board	<b>2618</b>	<b>2346</b>
The management is included in Ericsson's Long-term variable compensation program. The compensation for management award is given in synthetic shares.		
<b>3 Financial income</b>	2020	2019
	DKK '000	DKK '000
Interest income group enterprises	88	649
Exchange adjustments	5 558	4 713
<b>Financial income</b>	<b>5 646</b>	<b>5 362</b>



## Notes to the Annual Report

<b>4 Financial expenses</b>	<u>2020</u> DKK '000	<u>2019</u> DKK '000
Interest expenses from banks	(362)	(446)
Other financial expenses	(7 535)	(7 805)
Interest expenses regarding taxes	(3)	(6)
<b>Financial expenses</b>	<b><u>(7 900)</u></b>	<b><u>(8 257)</u></b>

## 5 Corporation tax

	<u>Receivable corporation tax</u> DKK '000	<u>Deferred tax asset</u> DKK '000	<u>Accrued corporation tax</u> DKK '000	<u>Acc. to income statement</u>
Balance at 1 January 2020	(1,151)	422	-	-
Tax on account paid conc. 2020	558	-	-	-
Tax on profit/loss for the year	(3 653)	(61)	-	(3 714)
<b>Balance at 31 December 2020</b>	<b><u>(4246)</u></b>	<b><u>361</u></b>	<b><u>-</u></b>	<b><u>(3 714)</u></b>

	<u>2020</u> DKK '000	<u>2019</u> DKK '000
22% tax calculated on profit for the year before tax	(3 663)	(2 396)
Tax effect of:		
- Non deductible expenses	(51)	(97)
<b>Tax on profit/loss for the year</b>	<b><u>(3 714)</u></b>	<b><u>(2 493)</u></b>
<b>Deferred tax asset</b>		
Property, plant and equipment	<u>361</u>	<u>422</u>
<b>Deferred tax</b>	<b><u>361</u></b>	<b><u>422</u></b>

# Notes to Annual Report

## 6 Property, plant and equipment

	Assets under construction	Leasehold improvements	Other fixtures, fittings, tools and equipment
	DKK '000	DKK '000	DKK '000
Cost at 1 January 2020	138	84	6 271
Additions during the year	( 152)	-	48
Reclassification during the year	14	-	( 14)
<b>Cost at 31 December 2020</b>	<b>-</b>	<b>84</b>	<b>6 305</b>
Impairment losses at 1 January 2020	-	-	(142)
<b>Impairment losses at 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>(142)</b>
Depreciation at 1 January 2020	-	(28)	(3 389)
Depreciation for the year	-	( 28)	(749)
<b>Depreciation at 31 December 2020</b>	<b>-</b>	<b>(56)</b>	<b>(4 138)</b>
<b>Carrying amount at 31 December 2020</b>	<b>0</b>	<b>28</b>	<b>2 025</b>
<i>Depreciated over</i>		<i>5-10 years</i>	<i>3-5 years</i>

## Notes to the Annual report

### 7 Fixed Asset investments

	Deposits
	<u>DKK '000</u>
Cost at 1 January 2020	1,722
Additions during the year	2
<b>Cost at 31 December 2020</b>	<b><u>1 724</u></b>
<b>Impairment losses at 31 December 2020</b>	<b>0</b>
<b>Carrying amount at 31 December 2020</b>	<b><u>1 724</u></b>

### 8 Inventories

	<u>2020</u>	<u>2019</u>
	DKK '000	DKK '000
<b>Contract work in progress</b>	<b>138 780</b>	<b>70 436</b>
	<b><u>138 780</u></b>	<b><u>70 436</u></b>

## Notes to the Annual report

<b>9 Prepayments</b>	<u>2020</u>	<u>2019</u>
	DKK '000	DKK '000
Prepaid expenses	704	1 541
	<u><b>704</b></u>	<u><b>1 541</b></u>

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

## 10 Share capital

The share capital comprises the following shares:

	<u>Number of shares</u>	<u>Share amount</u>	<u>Total</u>
		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
			<u><b>90 000</b></u>

# Notes to the Annual Report

## 11 Other Provisions

	Restructuring provisions	Total provisions
	DKK '000	DKK '000
Other provisions at 1 January 2020	1 751	1 751
Utilised during the year	(1 751)	(1 751)
<b>Provisions at 31 December 2020</b>	-	-

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

<b>12 Other long-term debts</b>	2020	2019
	<i>DKK '000</i>	<i>DKK '000</i>
Holiday accrual	12 934	3 965
LTV	1 350	
<b>Total Other long-term debts</b>	<b>14 283</b>	<b>3 965</b>

Of which expected to be paid in the next 5 years	14 283	3 965
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At Ericsson, our Key Contributors\*, Executives and Executive Team members are rewarded with a compensation element called Long-term variable pay (LTV).

LTV is an entitlement based on, or related to, the performance of the company which is reflected in either the targets set and/or the share price development of the company.

\*The Key Contributor award is given in synthetic shares. A synthetic share is not a real share, but an identifier used to assess the value of future payout. It is tied to the Ericsson B-share price.

# Notes to the Annual Report

<b>13 Prepayments received</b>	<u>2020</u> DKK '000	<u>2019</u> DKK '000
Advances received from customers	19 563	232 395
	<b>19 563</b>	<b>232 395</b>

<b>14 Other debt</b>	<u>2020</u> DKK '000	<u>2019</u> DKK '000
Accrued staff related items	11 040	10 284
Accrued holiday pay	8 933	9 328
Accrued VAT and other duties	36 416	5 801
<b>Other debt</b>	<b>56 389</b>	<b>25 413</b>

## 15 Deferred Income

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

<b>16 Contingent liabilities and other financial obligations</b>	<u>2020</u> DKK '000	<u>2019</u> DKK '000
Within one year	7 076	8 732
Between one and five years	4 127	13 318
<b>Contingent liabilities and other financial obligations</b>	<b>11 203</b>	<b>22 050</b>

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.

# Notes to the Annual report

## 17 Related parties and ownership

### Ownership and group relations

The Company is wholly 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.

## 18 Distribution of profit

	<u>2020</u>	<u>2019</u>
	DKK '000	DKK '000
Proposed dividends	0	0
Retained earnings	<u>12 937</u>	<u>8 397</u>
	<b><u>12 937</u></b>	<b><u>8 397</u></b>

## 19 Subsequent events

No events materially affecting the assessment of the Annual Report for 2020 have occurred after the balance sheet date.