

Ericsson Danmark A/S

Ørestads Boulevard 108
2300 København S.

CVR-nr. 62 58 08 28

Annual Report for 2021

The Annual Report was presented and adopted at the Annual General Meeting of the Company on May 12, 2022

Chairman

Nils Sixten 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 2021.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at December 31, 2021 of the Company and of the results of the Company operations for 2021.

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

Copenhagen, May 12, 2022

Executive Board

Kent Johan Niclas Backlund

Supervisory Board

Nils Sixten Emmelin

Jenny Elena Lindqvist

Kent Johan Niclas Backlund

Chairman

Esben Malle

Henning Kaas

Independent Auditor's Report

To the shareholders of Ericsson Danmark A/S

Opinion

We have audited the financial statements of Ericsson Danmark A/S for the financial year 01.01.2021 – 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 – 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 12.05.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Christian Sanderhage
State Authorised Public Accountant
Identification No (MNE) mne23347

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	Nils Sixten Emmelin, Chairman Jenny Elena Lindqvist, Deputy Chairman Kent Johan Niclas Backlund Henning Kaas Esben Malle
Executive Board	Kent Johan Niclas Backlund
Auditors	DELOITTE STATS-AUTORISERET 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:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
	DKK '000,000	DKK '000,000	DKK '000,000	DKK '000,000	DKK '000,000
Revenue	1 124	1 260	481	463	554
Operating profit	27	19	14	10	9
Net financials	2	(2)	(3)	(1)	(1)
Net profit/loss for the year	22	13	8	7	6
Balance sheet total	475	1 181	682	244	314
Equity	133	111	98	102	101
Investment in property, plant and equipment	-	-	(3)	-	-
Average number of employees	153	171	104	65	121
<i>Ratios %</i>					
Profit margin	2,4	1,5	2,9	2,2	1,6
Return on assets	5,7	1,6	2,1	4,1	2,9
Solvency ratio	28,0	9,4	14,4	41,8	32,2

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

Primary Activities

2021 was a great year for us at Ericsson Denmark as we managed to deliver on customer projects, commitments and at the same time continued to win market share.

In 2021:

1) We delivered a large amount of 3G/4G/5G radio equipment to Hi3G's swap and modernization project. In addition, we have supported Hi3G with engineering services for the installation of equipment at sites. The network performance is gradually improving as the networks is modernized which can also be seen in independent benchmarking aTs from Open Signal.

2) We continued to plan, build, operate and optimize TDC Net's mobile network with great outcomes. The network continues to operate at a historic stable level whilst introducing automations and proactive improvements.

The TDC Net network through Ericsson's plan, build, optimization was in October 2021 awarded the best mobile network experience globally, less than a year after the network modernization was completed. An enormous statement of the quality of our technology, TDC's radio strategy, and the execution from our planning and optimization teams.

As a Denmark first, 5G mmWave was commissioned live with TDC Net showcasing beyond 4 Gbps service with commercial handsets

During the year, values of 5G have been demonstrated through our Ericsson/TDC Net joint Innovation Hub. Examples being the 5G remote controlled robotic dog SPOT monitoring Odense airport and the Genius project with SDU and other partners enabling non-line of sight drone flights.

3) We extended the supply contracts with our long-term partner Siminn and its infrastructure Company Mila to continue build out of 5G services on Iceland through the use of Ericsson core and RAN technology

4) We managed to secure a new network customer in Faroe Islands, Føroya Tele, where we during 2022 will swap and totally modernize the network and introduce 5G services across the country.

Deliveries to Tusass, Greenland, continued during the year enabling high quality connectivity for the Greenlandic people.

Ericsson is the leading supplier for network solutions and services for mobile networks in Denmark and North Atlantic. We continue to win new contracts and deliver leading technology to our partners. 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 networks in the Danish and North Atlantic market.

Market Overview

During 2021 the importance of reliable and high performing telecommunication networks has increased. Remote and flexible working is now a part of everyone's life and that puts high demands on nations communications infrastructure. 5G as a technology provides the answer to these growing demands and more as it also opens up new possibilities for digitalization.

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 in 2021 is comparable to 2020 but significantly higher to previous years (2021: 1.124 M DKK, 2020: 1.260 M DKK; 2019: 481 M DKK) and in line with the delivery and growth of the Company.

Following the revenue growth, also the operating profit has increased (2021:27 M DKK; 2020: 19 M DKK; 2019: 14 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

Considering the macro-economic situation, there are factors that could influence our operations in 2022. The post-covid environment is still very much to be seen as people have now returned to a more normal life. Global supply chains were heavily disturbed during the Covid-19 pandemic and its effects can still be seen.

In terms of financial risks, higher inflation is already a reality, but the longer-term effects are not known.

Foreign exchange risks

The Company hedges the Balance Sheet, mainly A/R and A/P, with foreign exchange currency transactions or loans for natural hedging, according to Group Directive to safeguard the business margin and reduce P&L volatility.

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 Danmark 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 2022 to be in line with 2021.

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 has been a sustainability pioneer in the private sector and has been reporting on its progress in this area for more than 20 years. Sustainability and responsible business practices are fundamental to Ericsson's culture and its strategy to drive business transformation and create value for stakeholders. The Company firmly believes that part of that value is derived from its focus on sustainability in its operations, portfolio and how its technology is applied across sectors of society.

Statement of community responsibility covers the period 1 January to 31 December 2021 and is associated with the Annual Report 2021. The company wishes to live up to the legislation and current regulations in all 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 2021.pdf](#)

For further description, please refer to the Annual Report of Telefonaktiebolaget L.M. Ericsson for 2021 and the description at the group website.

Connected Sustainable world

Ericsson was founded on the premise that access to communication is a basic human need and should be available to all. Ericsson's vision to improve lives, redefine business and pioneer a sustainable future is built on the power of mobile connectivity to deliver positive impact. The Company's efforts in pioneering a sustainable future are grounded in research and science as well as concrete targets set across its value chain.

For more than two decades, Ericsson has performed research on the life-cycle environmental impacts of different aspects of ICT. Our research work, which covers environmental, economic, and social aspects, is often developed in collaboration with academics and other partners and undergoes peer-review as we submit to scientific journals.

Our research insights allow us to contribute to methodology development, international standardization processes and partnerships like the Exponential Roadmap.

Our research has also been instrumental in making 5G the most energy-efficient standard to date.

Updated Code of Business Ethics Ericsson's newly revised

Code of Business Ethics (COBE), launched in 2021, outlines the Company's fundamental ethical principles and expectations. It reflects the Company's commitment to conduct business with integrity,

consistent with all internationally recognized human rights principles and the applicable laws and regulations where Ericsson operates. COBE is applicable to all individuals performing work for Ericsson (including the Board of Directors and the President and CEO) and has been translated into 43 languages to ensure that it is understood by all. The Company reviews and updates COBE periodically and frequently runs an acknowledgment process, including during 2021, to ensure that everyone performing work for Ericsson has read and understood it.

Corporate citizenship

Ericsson engages as an active local partner in the communities where it operates. Volunteering is one way Ericsson employees help the Company realize its vision to improve lives, redefine business and pioneer a sustainable future. During 2021 Ericsson strengthened its corporate citizenship efforts, including the launch of a new volunteering strategy focused on encouraging employee and community engagement. The Company also re-established global governance of this program with a new Volunteer Program Board. Ericsson also strengthened its donation strategy to focus on proactive efforts, efficiency improvements and long-term partnerships.

Sustainability approach

Sustainability approach Ericsson focuses on embedding its sustainability strategy and programs across the Company to create positive impact and mitigate risks to the Company and its stakeholders. The Company's contributions to the sustainable development of society can be seen in a wide variety of ways, including the development and deployment of technology and solutions, the impact of its partnerships and the contribution and expertise of its employees. Science and research are fundamental to Ericsson's sustainability efforts.

The Company carries out peer-reviewed research, both independently and in collaboration with research partners from academia and business. Research topics include the direct and indirect sustainability impacts of the Information and Communication Technology (ICT) sector. Ericsson recognizes the need for transparent and comparable environmental, social and governance (ESG) disclosures to enable both companies and their stakeholders to make fact-based decisions. The Company bases its ESG reporting on several complementary reporting standards to ensure it is on par with global best practices. Ericsson aims to continuously improve by setting and reaching ambitious ESG targets that contribute to creating value for Ericsson, its customers, investors and society at large. Ericsson's sustainability strategy covers three focus areas described below:

- Environmental sustainability.

Ericsson's climate targets are in line with the 1.5°C ambition going towards Net Zero across the value chain by 2040. The Company's circular economy approach encapsulates everything from design, manufacturing and the use phase through reuse, product take-back and end of life. Ericsson strives to minimize the negative impacts of its operations and invests to improve the energy performance of its portfolio to reduce environmental impacts within the industry and across other industries.

- Digital inclusion

Universal and affordable connectivity is critical to the sustainable development of society, and Ericsson's approach is based on the belief that technology developed and deployed responsibly can help bridge the digital divide. The Company works towards this goal through institutional capacity building, digital literacy and skills development programs, as well as business-focused universal and affordable internet access solutions and services

- Corporate responsibility

Ericsson is committed to conducting business responsibly and with integrity across its value chain. Ericsson drives an agenda that delivers value to the Company and stakeholders across its value chain and that extends beyond legal compliance by proactively mitigating and addressing risks. Ericsson engages with local

communities and societal stakeholders through its corporate citizenship initiatives including volunteering and donations

Digital inclusion

With around 2.9 billion people still being offline, the digital divide continues to be a key challenge to global economic development¹). High costs, lack of digital literacy or lack of access to connectivity are some of the reasons for this. Ericsson's aims to be the preferred partner to bridge the digital divide, as mobile broadband (3GPP technology) is considered one of the most cost-efficient option to empower people and societies through digital infrastructure.

Ericsson is focusing its efforts on areas where it can have the greatest influence while also positively impacting its customers' and own business. These areas include expanding connectivity and upgrading networks as well as advocating for future proof, secure, and cost-efficient networks. This work has the potential to develop societies, improve people's lives, drive economic growth and increase access to education and digital skills development.

Contributing to the achievement of the Sustainable Development Goals

The technology Ericsson delivers has the potential to contribute to the achievement of all 17 United Nations Sustainable Development Goals (SDGs). Ericsson's core contribution to the SDGs is primarily through SDG 9 – Industry, innovation and infrastructure, and SDG 17 – Partnerships for the goals. These two SDGs are central to Ericsson's business as a technology leader that creates and orchestrates ecosystems and works across trusted partnerships to create positive impact at scale.

With this approach, Ericsson enables public and industrial sectors to access technology that helps them accelerate progress towards targets in key areas related, but not limited to, SDG 13 – Climate action; SDG 12 – Responsible production and consumption; SDG 8 – Decent work and sustainable economic growth and SDG 4 – Education. Ericsson's sustain - ability targets on climate, responsible business practices and production systems contribute to the ambitions behind the same SDGs.

Circular economy

Circular economy approach to design and material use Minimizing waste and increasing reuse, recycling and recovery is key in a circular economy context. Further, waste from electrical and electronic equipment (e-waste) is one of the fastest growing waste streams in the world. Potential impacts to the environment are associated with resource exploitation, scarcity, and increasing requirements related to the presence of certain substances in products. Material choices, increased use of recycled material and design enabling efficient recycling are all important for halving supply chain emissions by 2030 and lowering the embedded carbon footprint of our products

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 last 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 ISO certificates for ISO 9001, ISO 14001, ISO 45001 and ISO 27001. Assessments are performed according to a global Ericsson assessment plan.

Ericsson was recertified by BSI December 2021.

Business ethics and anti-corruption

Since December 2019, Ericsson has been under a Deferred Prosecution Agreement (DPA) with the US Department of Justice (DOJ) to resolve criminal US Foreign Corrupt Practices Act (FCPA) charges and a consent judgment with the Securities and Exchange Commission (SEC) to resolve related civil claims. On

October 21, 2021 Ericsson received correspondence from the DOJ stating its determination that the Company had breached its obligations under the DPA by failing to provide certain documents and factual information. On March 1, 2022, the DOJ informed Ericsson that the disclosure made by the company prior to the DPA about its internal investigation into conduct in Iraq in the period 2011 until 2019 was insufficient. Furthermore, it determined that the company breached the DPA by failing to make subsequent disclosure related to the investigation post-DPA. At this time we cannot provide further details about the determination by the DOJ or predict the outcome of the resolution of this matter. Ericsson has taken steps to avoid a recurrence of the issues that led to the breach determination and is committed to cooperating openly and fully with the DOJ and its Independent Compliance Monitor consistent with all terms set out in the DPA.

Ericsson’s approach to data ethics pursuant to section 99 d of the Danish Financial Statements Act

Data ethics goes beyond compliance with data privacy laws. We comply with all legal requirements but acknowledge and respect that our use of data (both personal data and non-personal data) may create risks for the users that applicable laws do not cover. We manage these risks by adhering to the principles described in Ericsson Group Data Strategy.

Our Group Data Strategy

Data is regarded as a key asset that creates value for our business and our customers, and our Data Strategy is a key enabler of our Company objectives to build a data-driven organization and to attract top talent.

Data access processes have documented instructions and clear appointed accountability. According to the data strategy principles stated in the Ericsson Group Data Strategy, data shall be made available to Ericsson employees and used to fulfil contractual obligations, perform value-adding analysis and develop new solutions. However, data access shall be restricted if the data is sensitive or regulated, if the customer demands restricted access to certain data sets, or if internal policies or confidentiality classification require. This shall be regulated through proper data cataloging, data governance principles and agreed access rights.

Ericsson treats data in an ethical, compliant, and secure way. So, access to data should be granted through an agreed process, considering the restrictions above including for what purposed the data can be used.

The Group Data Strategy is designed to:

- Democratize data and break down silos to enable seamless access to a broad data set
- Create clear accountability for data and enable organizations’ focus on business-relevant use cases
- Improve data quality to foster trust and reliability.

In order for Ericsson to be a truly data-driven Company, it is critical that the data architecture and platform infrastructure for storage and processing of data is aligned with the Ericsson Data Architecture Strategy and that a data culture is fostered based upon the strategic data principles, and in handling all data in an ethically, compliant and secure manner. This includes but is not limited to Ericsson’s trustworthy AI principles based on the EU Commission “Ethics guidelines for Trustworthy AI”.

A federated Data Operating Model translates the data strategy into value-creation and is being rolled out across the organization.

In the Data Operating Model (DOM), we have sliced our data landscape into logical units called ‘data domains’, which span across different parts of the organization. The model clarifies accountability, location and content of data as well as how roles and responsibilities are distributed in data domain teams.

The DOM is part of the Ericsson Group Management System (EGMS) . This was piloted in Q3 2019 and approved by both the reference group and Digital Board. This model is reviewed and updated yearly.

A Data Operating Model consists of four components and helps translate the Data Strategy into value-creation:

- **Governance** - Addresses how the organization makes and enforces decisions, manages data compliance/risk, how to measure performance, what the interfaces between stakeholders are and how business and IT collaborates
- **Processes** - Addresses activities that need to be executed to turn data opportunities into value, clearly defined inputs and outputs of each process and how to drive continuous improvement
- **Roles & responsibilities (location & skills)** - Addresses roles, responsibilities and skills needed to deliver on the Data Strategy, how the data organization is managed, from which location(s) it should be delivered and how to reskill and train for effective data management
- **Technology & tools** - Addresses what tools are needed, what must be enhanced or standardized and how the target data architecture and technologies are employed to deliver on the Data Strategy.

Privacy strategy

Our Company is committed to protecting the privacy of personal data relating to employees, partners, external workforce, service providers, and users. In Ericsson, we have Group privacy Compliance office, which ensures that personal data and compliance with the Data Protection Regulation (GDPR) is continuously complied with. The Group Privacy Compliance Office defines, steers and monitors the overall compliance with privacy laws and regulations give expert advice on global privacy regulations, and monitor of our compliance with privacy laws and regulations.

IT security

In our Digitally Enabled Transformation, data, together with technology and agile ways of working are key components to build end-to-end digital capabilities. High-quality data - in combination with technologies such as analytics, artificial intelligence, and a high degree of automation - are vital parts of our transformation journey and the evolution of our business model.

At Ericsson, we work extensively with our IT security and processing of sensitive personal information concerning our customers, employees and other stakeholders. We continuously protect important data against unauthorized and illegal storage, processing, access or publication.

Data Ethics

In Ericsson the Data Enablement Office provides the framework, training, and guidance, to support the implementation of the Data Operating Model, and all those ensure Ericsson Denmark to comply with the Data Ethics principles. Information is available for all employees to our internal portal: Enablement-Resources. Ericsson continuously focuses on data ethics, IT security and GDPR legislation for our employees through campaigns, internal systems, procedures, policies, and training.

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 end of the year 143 employees and we're representing 25 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. There is still much work to be done. 44% of people managers in Denmark are represented by women. The number of women in Ericsson's Denmark total workforce is 19% 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.

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. This will be done by participating in job fairs and joining exciting initiatives done within our industry. Continue to co-operate with universities focusing on female as well as attracting young candidates.

- 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 2021, 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 individual level and determined by employee and manager in co-operation at the frequent development discussions.

During 2021, 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.

Subsequent events

No events materially affecting the assessment of the Annual Report for 2021 have occurred after the balance sheet date.

Financial Statements

Basis of preparation

The Annual Report of Ericsson Denmark A/S for 2021 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 2021 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.

Production costs

Production costs 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

Gains and losses on current replacement of property, plant and equipment are recognised in administrative expenses.

The carrying amounts of 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

Deposits presented as Fixed asset investments are measured at cost and consist of rent deposits which will be received at the termination of the rental contract.

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 2021, 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>2021</u> DKK '000	<u>2020</u> DKK '000
Revenue	1	1 123 945	1 260 314
Production costs	2	<u>(1 047 559)</u>	<u>(1 186 361)</u>
Gross profit/loss		76 386	73 953
Distribution expenses	2	(35 110)	(40 805)
Administrative expenses	2	<u>(14 555)</u>	<u>(14 243)</u>
Operating profit/loss		26 722	18 905
Financial income	3	8 957	5 646
Financial expenses	4	<u>(7 431)</u>	<u>(7 900)</u>
Profit/loss before tax		28 248	16 651
Tax on profit/loss for the year	5	<u>(6 304)</u>	<u>(3 714)</u>
Net profit/loss for the year		21 944	12 937

Balance Sheet at 31 December

Assets	Note	2021 DKK '000	2020 DKK '000
Other fixtures, fittings, tools and equipment		876	2 025
Leasehold improvements		-	28
Property, plant and equipment	6	876	2 053
<hr/>			
Deposits		1 124	1 724
<hr/>			
Fixed asset investments	7	1 124	1 724
<hr/>			
Fixed assets		2 000	3 777
<hr/>			
Inventories	8	82 178	138 780
<hr/>			
Trade receivables		320 836	832 387
Receivables from group enterprises		5 830	22 899
Receivables from group enterprises, cash pool		60 028	178 001
Other receivables		2 343	3 902
Deferred tax asset	5	270	361
Prepayments	9	1 760	704
<hr/>			
Receivables		391 067	1038 255
<hr/>			
Current assets		473 245	1177 035
<hr/>			
Assets		475 245	1180 812
<hr/>			

Balance Sheet at 31 December

Liabilities and equity	<u>Note</u>	<u>2021</u> DKK '000	<u>2020</u> DKK '000
Share capital	10	90 000	90 000
Retained earnings		21 334	8 397
Net profit/loss for the year		<u>21 944</u>	<u>12 937</u>
Equity		133 278	111 334
Other provisions		<u>9 763</u>	<u>-</u>
Provisions	11	9 763	-
Other long-term debts	12	<u>1 254</u>	<u>14 283</u>
Long term-debts		1 254	14 283
Prepayments received	13	-	19 563
Trade payables		47 212	168 790
Payables to group enterprises		136 433	18 847
Payables to group enterprises, Cash pool		3 404	625 568
Corporation tax	5	5 425	4.246
Other payables	14	66 782	56 389
Deferred income	15	71 694	161 792
Short-term debt		<u>330 950</u>	<u>1055 195</u>
Liabilities and equity		475 245	1180 812
Contingent liabilities and other financial obligations	16		
Related parties and ownership	17		
Distribution of profit	18		
Subsequent events	19		

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 2020	90 000	8 397	-	98 397
Net profit/loss for the year 2020	0	12 937	-	12 937
Equity at 31 December 2020	90 000	21 334	-	111 334
Equity at 1 January 2021	90 000	21 334	-	111 334
Net profit/loss for the year 2021	0	944	21 000	21 944
Equity at 31 December 2021	90 000	22 278	21 000	133 278

Notes to the Annual Report

1 Revenue	2021 DKK '000	2020 DKK '000
Markets:		
Denmark	1042 710	1188 043
Nordics	81 196	71 265
Other	39	1 006
	1 123 945	1 260 314
Activities:		
Networks	881 498	990 898
Digital Services	107 979	114 221
Managed Services	120 339	138 772
Emerging Business and Other	12 404	16 378
Other services	1 725	45
	1 123 945	1 260 314
2 Staff expenses		
Salaries, including severance pay etc	132 576	157 753
Pensions	16 404	17 899
Other social security expenses	1 025	704
Staff expenses	150 005	176 356
Which are expensed as follows:		
Production costs	111.147	135 331
Distribution expenses	26.638	28 861
Administrative expenses	12.220	12 164
	150 005	176 356
Average number of employees	153	171
Remuneration of the Supervisory board and Executive board	2879	2618
The management is included in Ericsson's Long-term variable compensation program. The compensation for management award is given in synthetic shares.		
3 Financial income	2021 DKK '000	2020 DKK '000
Interest income group enterprises	-	88
Exchange adjustments	8 957	5 558
Financial income	8 957	5 646

Notes to the Annual Report

4 Financial expenses	2021 DKK '000	2020 DKK '000
Interest expenses from banks	(796)	(362)
Other financial expenses	(6 441)	(7 535)
Interest expenses regarding taxes	(194)	(3)
Financial expenses	(7 431)	(7 900)

5 Corporation tax

	<i>Receivable corporation tax</i> DKK '000	<i>Deferred tax asset</i> DKK '000	<i>Accrued corporation tax</i> DKK '000	<i>Acc. to income statement</i>
Balance at 1 January 2021	(4 246)	362	-	-
Payment tax conc. 2019	1 151	-	-	-
Payment tax conc. 2020	3 094	-	-	-
Tax on account paid conc. 2021	788	-	-	-
Tax on profit/loss for the year	(6 212)	(92)	-	(6 304)
Balance at 31 December 2021	(5 425)	270	-	(6 304)

	2021 DKK '000	2020 DKK '000
22% tax calculated on profit for the year before tax	(6 212)	(3 663)
Tax effect of:		
- Non deductible expenses	(92)	(51)
Tax on profit/loss for the year	(6 304)	(3 714)

Deferred tax asset

Property, plant and equipment	270	361
Deferred tax	270	361

Notes to Annual Report

6 Property, plant and equipment

	<u>Other fixtures, fittings, tools and equipment</u> DKK '000
Cost at 1 January 2021	6 305
Additions during the year	408
Disposals during the year	(1 475)
Cost at 31 December 2021	<u>5 238</u>
Impairment losses at 1 January 2021	(142)
Impairment losses at 31 December 2021	<u>(142)</u>
Depreciation at 1 January 2021	(4 138)
Depreciation for the year	(600)
Reversed depreciation on disposals for the year	518
Depreciation at 31 December 2021	<u>(4 220)</u>
Carrying amount at 31 December 2021	<u>876</u>
<i>Depreciated over</i>	<i>3-5 years</i>

Notes to the Annual report

7 Fixed Asset investments	Deposits	
	DKK '000	
Cost at 1 January 2021		1 724
Additions during the year		1 700
Disposals during the year		(2 300)
Cost at 31 December 2021		1 124
Carrying amount at 31 December 2021		1 124

8 Inventories	2021	2020
	DKK '000	DKK '000
Contract work in progress	82 178	138 780
	82 178	138 780

Notes to the Annual report

9 Prepayments	2021	2020
	DKK '000	DKK '000
Prepaid expenses	1 760	704
	1 760	704

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

10 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

11 Other Provisions

	Restructuring provisions	Total provisions
	DKK '000	DKK '000
Other provisions at 1 January 2021	-	-
Additions during the year	18 743	18 743
Utilised during the year	(8 980)	(8 980)
Provisions at 31 December 2021	9 763	9 763

12 Other long-term debts	2021	2020
	DKK '000	DKK '000
Holiday accrual	0	12 933
LTV	1 254	1 350
Total Other long-term debts	1 254	14 283
Of which expected to be paid in the next 5 years	1 254	14 283

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

13 Prepayments received

	2021 DKK '000	2020 DKK '000
Advances received from customers	-	19 563
	-	19 563

14 Other payables

	2021 DKK '000	2020 DKK '000
Accrued staff related items	42 279	11 040
Accrued holiday pay	20 618	8 933
Accrued VAT and other duties	3 885	36 416
Other payables	66 782	56 389

15 Deferred Income

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

16 Contingent liabilities and other financial obligations

	2021 DKK '000	2020 DKK '000
Within one year	5 367	7 076
Between one and five years	13 836	4 127
Contingent liabilities and other financial obligations	19 203	11 203

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>2021</u>	<u>2020</u>
	DKK '000	DKK '000
Proposed dividends	21 000	-
Retained earnings	944	12 937
	<u>21 944</u>	<u>12 937</u>

19 Subsequent events

No events materially affecting the assessment of the Annual Report for 2021 have occurred after the balance sheet date.