

ASCOM DANMARK A/S
Naverland 3
2600 Glostrup
Business Registration No
13235686

Annual report 2018

The Annual General Meeting adopted the annual report on 24.05.2019

Chairman of the General Meeting



Name: Jens Andersen

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Entity details

Entity

ASCOM DANMARK A/S

Naverland 3

2600 Glostrup

Central Business Registration No (CVR): 13235686

Registered in: Albertslund

Financial year: 01.01.2018 - 31.12.2018

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Board of Directors

Dino Merico

Daniel Lack

Claes Sture Bertil Ödman

Lasse Lundgren

Kim Brun Sørensen

Executive Board

Jens Andersen

Bank

Nordea Bank Danmark A/S

Vestergade 13

8600 Silkeborg

Entity auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

Strandvejen 44

2900 Hellerup



Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of ASCOM DANMARK A/S for the financial year 01.01.2018 - 31.12.2018.

The annual report is presented 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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Glostrup, 24.05.2019

Executive Board



Jens Andersen


Board of Directors



Dino Merico



Daniel Lack



Claes Sture Bertil Ödman



Lasse Lundgren



Kim Brun Sørensen

Independent auditor's report

To the shareholders of ASCOM DANMARK A/S

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31.12.2018 and of the results of the Company operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

We have audited the financial statements of ASCOM DANMARK A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the 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 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.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

- 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.

Statement on the management commentary

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.

Independent auditor's report

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.

Hellerup, 24.05.2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR)

33771231



Jan Wright

State Authorised Public Accountant

Identification No (MNE) mne10053



Stine Würtz Strunge

State Authorised Public Accountant

Identification No (MNE) mne40046

Management commentary

Primary activities

Ascom Danmark A/S' main activities are sales, installation and servicing of IT and communications solutions primarily in the healthcare sector (regions and municipalities) and the security sector. This includes primarily solutions provided by Ascom Wireless Solutions as well as proprietary applications and solutions from selected strategic partners.

The solutions from Ascom Danmark A/S are sold in Denmark as well as Greenland and the Faroe Islands.

Development in activities and finances

The company's revenue decreased by -12,7 % in 2018 compared to 2017 primarily due to lower project revenue in the hospitals segment after the high level in 2017, and also a significant decline in revenue in the secured establishment segment.

Loss for the year amounts to TDKK 4.842, which is not satisfactory.

Both regions and municipalities continue to look at mobility solutions based on cellular technologies and thus using smartphones, as opposed to today's widely used DECT technology. Ascom has the portfolio to support this trend, and management expects this trend to increase in the coming years in both hospitals, psychiatry and elderly care. Management expects to see continued replacement of existing mobility solutions with Ascom's new clinical smartphone, which will contribute to growth in order intake in 2019, together with growth in support contract business.

During the year, Management found that the Group had incorrectly calculated last year's transfer pricing. The matter has been treated as a material misstatement in the financial statements and has been adjusted in the comparative figures. Please refer to the accounting policies for further specification.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Revenue		74.434	85.231
Other external expenses		<u>(45.476)</u>	<u>(57.226)</u>
Gross profit/loss		28.958	28.005
Staff costs	1	(34.561)	(29.308)
Depreciation, amortisation and impairment losses	2	<u>(123)</u>	<u>(122)</u>
Operating profit/loss		(5.726)	(1.425)
Other financial income	3	16	800
Other financial expenses	4	<u>(454)</u>	<u>(1.043)</u>
Profit/loss before tax		(6.164)	(1.668)
Tax on profit/loss for the year	5	<u>1.322</u>	<u>323</u>
Profit/loss for the year		<u>(4.842)</u>	<u>(1.345)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(4.842)</u>	<u>(1.345)</u>
		<u>(4.842)</u>	<u>(1.345)</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Goodwill		<u>0</u>	<u>0</u>
Intangible assets	6	<u>0</u>	<u>0</u>
Land and buildings		2.706	2.829
Other fixtures and fittings, tools and equipment		136	136
Leasehold improvements		<u>0</u>	<u>0</u>
Property, plant and equipment	7	<u>2.842</u>	<u>2.965</u>
Other receivables		<u>352</u>	<u>342</u>
Fixed asset investments	8	<u>352</u>	<u>342</u>
Fixed assets		<u>3.194</u>	<u>3.307</u>
Manufactured goods and goods for resale		<u>793</u>	<u>777</u>
Inventories		<u>793</u>	<u>777</u>
Trade receivables		22.196	22.114
Contract work in progress	13	28.041	26.708
Receivables from group enterprises		3.721	5.439
Deferred tax	9	2.144	822
Other receivables		86	88
Income tax receivable		354	170
Prepayments	10	<u>461</u>	<u>513</u>
Receivables		<u>57.003</u>	<u>55.854</u>
Cash		<u>1.974</u>	<u>0</u>
Current assets		<u>59.770</u>	<u>56.631</u>
Assets		<u>62.964</u>	<u>59.938</u>

Balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital	11	1.200	1.200
Retained earnings		<u>11.643</u>	<u>16.485</u>
Equity		<u>12.843</u>	<u>17.685</u>
Other provisions	12	<u>757</u>	<u>1.043</u>
Provisions		<u>757</u>	<u>1.043</u>
Bank loans		0	347
Prepayments received from customers		3.286	2.353
Contract work in progress	13	2.703	6.168
Trade payables		2.669	3.888
Payables to group enterprises		23.972	16.119
Other payables		16.447	11.896
Deferred income	14	<u>287</u>	<u>439</u>
Current liabilities other than provisions		<u>49.364</u>	<u>41.210</u>
Liabilities other than provisions		<u>49.364</u>	<u>41.210</u>
Equity and liabilities		<u>62.964</u>	<u>59.938</u>
Unrecognised rental and lease commitments	15		
Assets charged and collateral	16		
Group relations	17		

Statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1.200	12.293	13.493
Corrections of material errors	0	4.192	4.192
Adjusted equity, beginning of year	1.200	16.485	17.685
Profit/loss for the year	0	(4.842)	(4.842)
Equity end of year	1.200	11.643	12.843

Notes

	2018 DKK'000	2017 DKK'000
1. Staff costs		
Wages and salaries	32.071	27.050
Pension costs	2.188	1.966
Other social security costs	302	292
	34.561	29.308
Average number of employees	44	41
	2018 DKK'000	2017 DKK'000
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	123	122
	123	122
	2018 DKK'000	2017 DKK'000
3. Other financial income		
Other interest income	0	11
Other financial income	16	789
	16	800
	2018 DKK'000	2017 DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	167	70
Exchange rate adjustments	29	760
Other financial expenses	258	213
	454	1.043
	2018 DKK'000	2017 DKK'000
5. Tax on profit/loss for the year		
Change in deferred tax	(1.322)	(323)
	(1.322)	(323)

Notes

	Goodwill DKK'000
6. Intangible assets	
Cost beginning of year	12.837
Cost end of year	12.837
Amortisation and Impairment losses beginning of year	(12.837)
Amortisation and impairment losses end of year	(12.837)
Carrying amount end of year	0

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
7. Property, plant and equipment			
Cost beginning of year	5.961	2.138	586
Disposals	0	(1.664)	0
Cost end of year	5.961	474	586
Depreciation and impairment losses beginning of year	(3.132)	(2.002)	(586)
Depreciation for the year	(123)	0	0
Reversal regarding disposals	0	1.664	0
Depreciation and impairment losses end of year	(3.255)	(338)	(586)
Carrying amount end of year	2.706	136	0

	Other receivables DKK'000
8. Fixed asset investments	
Cost beginning of year	342
Additions	10
Cost end of year	352
Carrying amount end of year	352

Notes

	2018 DKK'000	2017 DKK'000
9. Deferred tax		
Property, plant and equipment	278	494
Inventories	0	1
Receivables	3	3
Tax losses carried forward	1.863	324
	2.144	822

Changes during the year

Beginning of year	822
Recognised in the income statement	1.322
End of year	2.144

10. Prepayments

Prepayments concerns prepaid costs.

	Number	Par value DKK'000	Nominal value DKK'000
11. Contributed capital			
Contributed capital	1.000	1200	1.200
	1.000		1.200

12. Other provisions

Other provisions concerns guarantee provisions.

13. Contract work in progress

	2018 DKK'000	2017 DKK'000
Sales value of the periods production	49.194	49.035
Prepayments recieved	(23.856)	(28.495)
	25.338	20.540
Shown in the balance as such:		
Contract work in progress (assets)	28.041	26.708
Recieved prepayments on work in progress (liabilities)	(2.703)	(6.168)
	25.338	20.540

Notes

14. Deferred income

Deferred income concerns accrued revenue.

	2018	2017
	<u>DKK'000</u>	<u>DKK'000</u>
15. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>2.796</u>	<u>2.584</u>

16. Assets charged and collateral

The following assets have been provided as security for bank debt:

Letter of indemnity – a company charge of DKK 11,000 thousand granting a charge on intangible assets, property, plant and equipment, trade receivables and inventories with a total book value of DKK 25,701 thousand at 31.12.2018.

Mortgage registered to the mortgagor of DKK 4,000 thousand granting a mortgage on land and buildings with a total book value of DKK 2,706 thousand at 31.12.2018.

Contractual obligations

Upon participation in competitive bidding and conclusion of sales contracts, the usual guarantees have been provided regarding tender, advance payments and performance. The guarantees have a total value of DKK 16,909 thousand at 31.12.2018.

17. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Ascom Holding AG, Switzerland

The Annual Group Report for Ascom Holding AG can be found on the following address:

Zugerstrasse 32, CH-6340 Baar or the website www.ascom.com

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

Except for the changes described below the accounting policies applied to these financial statements are consistent with those applied last year.

The financial statements are presented in DKK

Material errors in previous years

During the financial year, Management found that the transfer pricing adjustment for 2017 had been incorrectly calculated, for which reason the results for 2017 are inaccurate.

Management has assessed that the transfer pricing contributed by the Group should have been DKK 5,374 thousand higher of which the tax effect amounts to DKK 1,182 thousand. The misstatement has been treated as a material misstatement in previous years and has been adjusted in equity at the beginning of the year. The adjustment in equity amounts to DKK 4,192 thousand at 1 January 2018.

Given that the misstatement relates solely to 2017, the comparative figures have been restated. The gross profit has improved by DKK 5,374 thousand to DKK 21,774 thousand of which the tax effect amounts to DKK 1,182 thousand and tax for the year DKK 323 thousand. Receivables from group enterprises have increased by DKK 5,374 thousand to DKK 5,439 thousand, and deferred tax assets have been reduced by DKK 1,182 thousand to DKK 822 thousand.

Changes in accounting policies

This year, Management has decided to change the income statement from classified by function to classified by nature, as Management assesses it to give the best picture of the Company's activities. The comparative figures have been restated accordingly. The change does not affect this year's results, tax, assets and equity.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Accounting policies

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Accounting policies

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 20 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, sub-suppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	50 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Accounting policies

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as finance costs are recognised in the income statement as incurred.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Accounting policies

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.