

Spectralink Europe ApS

Bygholm Søpark 21E
8700 Horsens

CVR no. 15 62 27 41

Annual report for 2015

(24. financial year)

Adopted at the annual general meeting
on 20 June 2016

Michael Larsen
Chairman

Contents

Page

Management's Statement and Auditors' Report

Statement by management on the annual report	1
Independent auditor's report	2

Management's Review

Company details	4
Financial highlights	5
Management's review	6

Financial Statements

Accounting policies	8
Income Statement	13
Balance Sheet	14
Notes to the annual report	16

Statement by management on the annual report

Today, the board of directors and the executive board have discussed and approved the annual report of Spectralink Europe ApS for the financial year 1 January - 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

We recommend the adoption of the annual report at the annual general meeting.

Horsens, 9 June 2016

Executive Board

Douglas Charles Werking

Board of Directors

Casandra Sue Hofmann

Douglas Charles Werking

Michael Larsen

Independent auditor's report

To the Shareholder of Spectralink Europe ApS

Report on the financial statements

We have audited the financial statements of Spectralink Europe ApS for the financial year 1 January - 31 December 2015, which comprise summary of significant accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish Audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the financial statement give a true and fair view of the company's financial position at 31 December 2015 and of the results of the company's operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent auditor's report

Statement on management's review

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the management's review is consistent with the financial statements.

Hellerup, 9 June 2016

CVR-no.33 25 68 76

 Crowe Horwath

Lasse Nørgård
State Authorized Public Accountant

Company details

The company

Spectralink Europe ApS
Bygholm Søpark 21E
8700 Horsens

CVR no.: 15 62 27 41
Financial year: 1 January - 31 December
Incorporated: 12 December 1991
Domicile: Horsens

Board of Directors

Casandra Sue Hofmann,
Douglas Charles Werking,
Michael Larsen

Executive board

Douglas Charles Werking

Auditors

Crowe Horwath
Statsautoriseret Revisionsinteressentskab
Rygårds Allé 104
2900 Hellerup

Consolidated financial statements

The company is included in the consolidated financial statements of the parent company

The consolidated financial statements may be obtained at the following address:

Spectralink International Corporation
2560 55th Street,
Boulder, Colorado 80301
USA

Financial highlights

5-year summary:

	2015	2014	2013	2012	2011
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Profit/loss					
Revenue	140.226	170.319	153.836	108.112	115.984
Gross profit	30.583	45.486	34.469	7.830	10.155
Operating profit/loss	-24	17.174	7.106	-6.123	-884
Result of net financials	-3.091	-3.088	-1.482	-1.893	459
Profit/loss for the year	-2.217	10.937	3.440	-6.053	-370
Balance sheet total	58.598	58.134	66.566	72.040	67.285
Investment in property, plant and equipment	1.257	2.924	3.150	1.555	2.851
Equity	14.245	16.463	5.526	2.086	8.139
Number of employees	80	102	103	101	102
Financial ratios					
Gross margin	21,8%	26,7%	22,4%	7,2%	4,6%
Return on assets	0,0%	55,1%	0,0%	0,0%	0,0%
Solvency ratio	24,3%	22,9%	8,3%	2,9%	12,1%
Return on equity	-14,4%	99,5%	9,1%	-118,4%	-4,4%

The financial ratios are calculated in accordance with the Danish Society of Financial Analysts' recommendations and guidelines. For definitions, see the summary of significant accounting policies.

Management's review

Principal activities of the Company

The Spectralink Group is specialised in the development, production and marketing of enterprise wireless data and telecommunications systems distributed all over the world.

Spectralink Europe ApS' solutions are based on open standards and interoperate with most existing and future communications systems. End-users are offered wireless and mobile solutions and are thereby more flexible for work purposes.

Development in activities and financial position

Spectralink Europe ApS realised revenue of DKK 140 million for 2015 as against revenue of DKK 170 million in 2014. A decrease of 17.6 %.

For 2015, the Company reported a loss of DKK -2.2 million as against a profit of DKK 10.9 million in 2014.

Management considers the results satisfactory and within expectations.

In 2015 production of DECT products was moved from Horsens to a contract manufacturer in China. Due to the move of the production from Horsens the number of employees has been reduced significantly from an average of 80 employees in 2015 to 18 at the beginning of 2016. Also, a considerable amount has been paid in severance, which has had impacted the result for 2015 negatively.

Research and development activities

Development activities primarily relate to technologies, hardware and software for enterprise wireless data and telecommunications.

Intellectual capital

The Company strives at employing staff with a high educational level - the critical business processes being product development, production and service.

The employees have the following educational background at the end of 2015:

Higher and medium-high education 100%

Operating review

Development activities primarily relate to technologies, hardware and software for wireless data and telecommunications.

Environment

Spectralink Europe ApS is certified to the ISO 9001:2008 and ISO 14001:2004 standards.

Management's review

Outlook

Management expects to enjoy a positive sales performance and profit development for 2016 and subsequent years. The company has in April 2016 moved to a new address in Horsens.

Events after the balance sheet date

No important events have occurred after the balance sheet affecting considerably the evaluation of the annual report.

Accounting policies

The annual report of Spectralink Europe ApS for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied are consistent with those applied last year.

The annual report for 2015 is presented in Danish kroner

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company's and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company's and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue from services, comprising service contracts and extended warranties relating to products and contracts sold, is recognised on a straight-line basis as the services are provided.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

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, as well as operation, administration and management of factories.

Accounting policies

Production costs also includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs.

Distribution expenses

Distribution expenses comprise expenses for costs incurred in distributing goods sold during the year and costs relating to sales staff, advertising, exhibitions and depreciation, etc.

Administrative expenses

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

Financial income and expenses

Financial income and expenses include interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit/loss for the year

The company is subject to the Danish rules on compulsory joint taxation of the group's Danish subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

The company acts as management company for all jointly taxed entities and, in its capacity as such, pays all income taxes to the Danish tax authorities.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits..

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets

Development costs comprise costs directly and indirectly attributable to the Company's development activities.

Developments projects recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually three years.

Accounting policies

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Tangible assets

Items of Tangible assets are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual parts of an item of property, plant and equipment have different useful lives, the cost is divided into separate parts, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful life of the asset based on the following expected useful lives:

	Useful life
Plant and machinery	3-8 years
Other fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	5 years

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Where there are indications of impairment, an impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Stocks

Stocks are measured at using FIFO method. Where the net realisable value is lower than the cost, inventories are carried at this lower value.

Accounting policies

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production overheads.

Production overheads include the indirect cost of materials, wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost.

The net realisable value of stocks is determined as the selling price less costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

Receivables

Receivables are recognised at the lower of amortised cost and net realisable value, corresponding to nominal value less write-downs for bad debt losses. Write-downs for bad debts are calculated based on an individual assessment of each receivable.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Dividend

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, reconstructions, etc. Provisions are recognised when as a result of a past event the Company has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at fair value.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Joint taxation contributions payable and receivable are recognised in the balance sheet as income tax receivable or income tax payable, respectively.

Accounting policies

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax is measured on the basis of the taxation rules and taxation rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities

Liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received concerning income in subsequent reporting years.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Financial highlights

Definitions of financial ratios

Gross margin ratio

$\text{Gross Profit} \times 100 / \text{Revenue}$

Return on assets

$\text{Profit/loss before financials} \times 100 / \text{Total assets}$

Solvency ratio

$\text{Equity at year end} \times 100 / \text{Total assets}$

Return on equity

$\text{Net profit for the year} \times 100 / \text{Average equity}$

Income Statement

1 January - 31 December

	Note	2015 DKK '000	2014 DKK '000
Revenue		140.226	170.319
Production costs		-109.643	-124.833
Gross profit		30.583	45.486
Distribution expenses		-5.795	-6.502
Administrative expenses		-24.812	-21.810
Operating profit/loss		-24	17.174
Financial expenses	1	-3.091	-3.088
Profit/loss before tax		-3.115	14.086
Tax on profit/loss for the year	2	898	-3.149
Net profit/loss for the year		-2.217	10.937
 Proposed distribution of profit			
Retained earnings		-2.217	10.937
		-2.217	10.937

Balance Sheet at 31 December 2015

	<u>Note</u>	<u>2015</u> DKK '000	<u>2014</u> DKK '000
Assets			
Completed development projects		16.918	5.515
Development projects in progress		<u>0</u>	<u>4.835</u>
Intangible assets	3	<u>16.918</u>	<u>10.350</u>
Plant and machinery		1.428	1.033
Other fixtures and fittings, tools and equipment		588	1.128
Leasehold improvements		<u>176</u>	<u>627</u>
Tangible assets	4	<u>2.192</u>	<u>2.788</u>
Fixed assets total		<u>19.110</u>	<u>13.138</u>
Raw materials and consumables		5.500	11.199
Work in progress		1.454	125
Finished goods and goods for resale		<u>7.409</u>	<u>1.859</u>
Stocks		<u>14.363</u>	<u>13.183</u>
Trade receivables		12.950	17.752
Receivables from group enterprises		44	21
Other receivables		169	913
Deferred tax asset		3.704	2.767
Prepayments	5	<u>2.765</u>	<u>1.884</u>
Receivables		<u>19.632</u>	<u>23.337</u>
Cash at bank and in hand		<u>5.493</u>	<u>8.476</u>
Current assets total		<u>39.488</u>	<u>44.996</u>
Assets total		<u><u>58.598</u></u>	<u><u>58.134</u></u>

Balance Sheet at 31 December 2015

	<u>Note</u>	<u>2015</u> DKK '000	<u>2014</u> DKK '000
Liabilities and equity			
Share capital		10.000	10.000
Retained earnings		<u>4.245</u>	<u>6.463</u>
Equity total	6	<u>14.245</u>	<u>16.463</u>
Other provisions		<u>1.285</u>	<u>2.441</u>
Provisions total		<u>1.285</u>	<u>2.441</u>
Prepayments received from customers		640	354
Trade payables		8.386	7.835
Payables to group enterprises		24.179	17.516
Corporation tax		78	0
Other payables		9.629	13.369
Deferred income	7	<u>156</u>	<u>156</u>
Short-term debt		<u>43.068</u>	<u>39.230</u>
Debt total		<u>43.068</u>	<u>39.230</u>
Liabilities and equity total		<u>58.598</u>	<u>58.134</u>
Contingencies, etc.	8		
Employee relations	9		

Notes to the Annual Report

	2015 <u>DKK '000</u>	2014 <u>DKK '000</u>
1 Financial expenses		
Interest paid to group enterprises	438	501
Other financial expenses	593	539
Exchange adjustments	<u>2.060</u>	<u>2.048</u>
	<u>3.091</u>	<u>3.088</u>
2 Tax on profit/loss for the year		
Deferred tax for the year	-859	3.149
Federal income tax US	<u>-39</u>	<u>0</u>
	<u>-898</u>	<u>3.149</u>
3 Intangible assets		
	<u>Completed development projects</u>	<u>Development projects in progress</u>
Cost at 1 January 2015	57.079	4.836
Additions for the year	42	10.285
Transfers for the year	<u>15.121</u>	<u>-15.121</u>
Cost at 31 December 2015	<u>72.242</u>	<u>0</u>
Impairment losses and depreciation at 1 January 2015	51.564	0
Amortisation for the year	<u>3.760</u>	<u>0</u>
Impairment losses and depreciation at 31 December 2015	<u>55.324</u>	<u>0</u>
Carrying amount at 31 December 2015	<u>16.918</u>	<u>0</u>

Notes to the Annual Report

4 Tangible assets

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 January 2015	29.323	8.352	3.765
Additions for the year	970	288	0
Disposals for the year	0	-132	0
Cost at 31 December 2015	<u>30.293</u>	<u>8.508</u>	<u>3.765</u>
Impairment losses and depreciation at 1 January 2015	28.196	7.320	3.138
Depreciation for the year	669	729	451
Reversal of impairment and depreciation of sold assets	0	-129	0
Impairment losses and depreciation at 31 December 2015	<u>28.865</u>	<u>7.920</u>	<u>3.589</u>
Carrying amount at 31 December 2015	<u>1.428</u>	<u>588</u>	<u>176</u>

5 Prepayments

Prepayments comprise prepaid expenses regarding rent, insurance premiums, subscriptions and interest.

6 Equity

	Share capital	Retained earnings	Total
Equity at 1 January 2015	10.000	6.462	16.462
Net profit/loss for the year	0	-2.217	-2.217
Equity at 31 December 2015	<u>10.000</u>	<u>4.245</u>	<u>14.245</u>

Notes to the Annual Report

7 Deferred income

Prepayments comprise prepayments received concerning income in subsequent reporting years.

8 Contingencies, etc.

The company has terminated the leasehold at Langmarksvej 34. At moment the company negotiation with the landlord about reestablishment costs and therefor have no reliable estimate of the reestablishment costs.

The Company is jointly taxed with other Danish group companies. The jointly taxed companies have joint and unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

Trade receivables are pledged as security for factoring agreement.

	<u>2015</u>	<u>2014</u>
	DKK '000	DKK '000
9 Employee relations		
Wages	41.175	53.430
Pensions	153	818
Other social security costs	<u>172</u>	<u>201</u>
	<u>41.500</u>	<u>54.449</u>
Average number of employees	<u>80</u>	<u>102</u>

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board and Board of directors has not been disclosed for the 2015 financial year.