

Spectralink Europe ApS

Byholm Søpark 21E
8700 Horsens

CVR no. 15 62 27 41

Annual report for 2018
(27th Financial year)

Adopted at the annual general meeting
on 29 May 2019

Michael Larsen
chairman

Table of contents

	Page
Statements	
Statement by management on the annual report	1
Independent auditor's report	2
Management's review	
Company details	5
Financial highlights	6
Management's review	7
Financial statements	
Accounting policies	8
Income Statement	14
Balance Sheet	15
Statement of changes in equity	17
Notes to the annual report	18

Statement by management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report of Spectralink Europe ApS for the financial year 1 January - 31 December 2018.

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 Company's financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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

Management recommends that the annual report should be approved by the company in general meeting.

Horsens, 29 May 2019

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

Opinion

We have audited the financial statements of Spectralink Europe ApS for the financial year 1 January - 31 December 2018, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under 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 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 management's review

Management is responsible for management's review.

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

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

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

Independent auditor's report

Based on the work we have performed, we conclude that 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 of management's review.

Hellerup, 29 May 2019

CVR no. 33 25 68 76



Lasse Nørgård
State Authorized Public Accountant
MNE no. mne10675

Company details

The company

Spectralink Europe ApS
Bygholm Søpark 21E
8700 Horsens

CVR no.: 15 62 27 41

Reporting period: 1 January - 31 December 2018

Incorporated: 12. December 1991

Domicile: Horsens

Board of Directors

Casandra Sue Hofmann
Douglas Charles Werking
Michael Larsen

Executive board

Douglas Charles Werking

Auditors

Crowe
Statsautoriseret Revisionsinteressentskab v.m.b.a.
Rygårds Allé 104
2900 Hellerup

Consolidated financial statements

The company is reflected in the group report as the parent company.

The group annual report of the parent company may be obtained at the following address:

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

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	162.589	150.555	157.929	139.808	170.319
Gross profit	30.126	33.681	43.688	34.788	45.486
Operating profit/loss	-3.578	-1.278	12.643	4.181	17.174
Net financials	673	938	-1.147	-3.091	-3.088
Profit/loss for the year	-2.000	-373	9.854	1.063	10.937
Balance sheet total	52.020	50.399	57.593	57.672	58.134
Investment in property, plant and equipment	741	306	2.383	1.257	2.924
Equity	25.006	27.006	27.379	17.525	16.463
Number of employees	36	33	31	80	102
Financial ratios					
Gross margin	18,5%	22,4%	27,7%	24,9%	26,7%
Return on assets	-7,0%	-2,4%	21,9%	7,2%	27,5%
Solvency ratio	48,1%	53,6%	47,5%	30,4%	28,3%
Return on equity	-7,7%	-1,4%	43,9%	6,3%	99,5%

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

Management's review

Business activities

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.

Business review

Spectralink Europe realised revenue of DKK 162,6 million for 2018 as against revenue of DKK 150,6 million in 2017, an increase of 8,0 %.

For 2018, the company reported a loss of DKK 2,0 million as against a loss of DKK 0,4 million in 2017.

Management considers the results satisfactory and within expectations.

Financial review

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

Research and development activities in and for reporting entity

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 2018:

Higher and medium-high education 100%.

Branches abroad

Management expects to enjoy a positive sales performance and profit development for 2019 and subsequent years.

Significant events occurring after end of reporting period

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Accounting policies

The annual report of Spectralink Europe ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning medium-sized reporting class C entities.

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

The annual report for 2018 is presented in TDKK.

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 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 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 installments 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 fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. Revenue is net of all types of discounts granted.

Accounting policies

Cost of sales

Costs of sales comprises costs incurred to achieve revenue for the year. Cost comprises purchases of finished goods and goods for resale, management services, direct labour costs, depreciation and amortisation.

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

Distribution costs

Distribution costs comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative costs

Administrative costs 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 on account 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.

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, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Accounting policies

Balance sheet

Intangible assets

Development projects

Development costs comprise costs directly attributable to the company's development activities.

Development 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.

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 plant and machinery and fixtures and fittings, tools and equipment 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.

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.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

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

Assets costing less than DKK 13.500 are expensed in the year of acquisition.

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Accounting policies

Impairment of fixed assets

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

Where there is evidence 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 cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

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

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 recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Equity

Reserve for development costs

Reserve for development cost include recognized development. The reserve can not be used for dividend or to cover deficits. The reserve is reduced or dissolved if the recognized development costs are amortized or sold from the company's operations. This is done by transferring directly to distributable reserves in equity.

Accounting policies

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

Provisions

Provisions comprise expected expenses relating to warranty commitments, losses on work in progress, restructuring, 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 the value in use.

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.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Deferred income

Deferred income recognised under 'Current liabilities' comprises payments received concerning income in subsequent financial 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.

Accounting policies

Cash flow statement

No cash flow statement has been prepared for the company, as the company's cash flows are included in the consolidated cash flow statement.

Financial highlights

Definitions of financial ratios.

Gross margin ratio	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

Income statement

1 January 2018 - 31 December 2018

	<u>Note</u>	<u>2018</u> TDKK	<u>2017</u> TDKK
Revenue		162.589	150.555
Cost of sales		<u>-132.463</u>	<u>-116.874</u>
Gross profit		30.126	33.681
Distribution costs		-10.343	-10.919
Administrative costs		<u>-23.361</u>	<u>-24.040</u>
Operating profit/loss		-3.578	-1.278
Financial income		1.613	1.668
Financial expenses	1	<u>-940</u>	<u>-730</u>
Profit/loss before tax		-2.905	-340
Tax on profit/loss for the year	2	<u>905</u>	<u>-33</u>
Net profit/loss for the year		<u>-2.000</u>	<u>-373</u>

Balance sheet at 31 December 2018

	<u>Note</u>	<u>2018</u> TDKK	<u>2017</u> TDKK
Assets			
Completed development projects		2.592	5.290
Development projects in progress		263	2.580
Intangible assets	4	<u>2.855</u>	<u>7.870</u>
Plant and machinery		557	1.189
Other fixtures and fittings, tools and equipment		598	238
Leasehold improvements		47	67
Property, plant and equipment in progress		41	8
Tangible assets	5	<u>1.243</u>	<u>1.502</u>
Total non-current assets		<u>4.098</u>	<u>9.372</u>
Finished goods and goods for resale		19.835	12.579
Stocks		<u>19.835</u>	<u>12.579</u>
Trade receivables		13.010	4.984
Receivables from group enterprises		1.419	103
Other receivables		347	378
Deferred tax asset	7	1.120	215
Prepayments	6	1.124	1.814
Receivables		<u>17.020</u>	<u>7.494</u>
Cash at bank and in hand		<u>11.067</u>	<u>20.954</u>
Total current assets		<u>47.922</u>	<u>41.027</u>
Total assets		<u><u>52.020</u></u>	<u><u>50.399</u></u>

Balance sheet at 31 December 2018

	<u>Note</u>	<u>2018</u> TDKK	<u>2017</u> TDKK
Equity and liabilities			
Share capital		10.000	10.000
Reserve for development costs		2.181	2.574
Retained earnings		<u>12.825</u>	<u>14.432</u>
Equity		<u>25.006</u>	<u>27.006</u>
Other provisions	8	<u>703</u>	<u>591</u>
Total provisions		<u>703</u>	<u>591</u>
Prepayments received from customers		2.029	1.178
Trade payables		14.723	10.756
Payables to group enterprises		3.082	5.033
Other payables		6.185	5.679
Deferred income	9	<u>292</u>	<u>156</u>
Total current liabilities		<u>26.311</u>	<u>22.802</u>
Total liabilities		<u>26.311</u>	<u>22.802</u>
Total equity and liabilities		<u><u>52.020</u></u>	<u><u>50.399</u></u>
Staff	10		
Contingencies, etc.	11		
Related parties and ownership structure	12		

Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Total
Equity at the beginning	10.000	2.574	14.432	27.006
Net profit/loss for the year	0	-393	-1.607	-2.000
Equity at the end	10.000	2.181	12.825	25.006

	Share capital	Reserve for development costs	Retained earnings	Total
Equity at the beginning	10.000	2.477	14.902	27.379
Net profit/loss for the year	0	97	-470	-373
Equity at the end	10.000	2.574	14.432	27.006

Notes

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
1 Financial expenses		
Interest paid to group enterprises	291	199
Other financial costs	<u>649</u>	<u>531</u>
	<u>940</u>	<u>730</u>
2 Tax on profit/loss for the year		
Deferred tax for the year	<u>-905</u>	<u>33</u>
	<u>-905</u>	<u>33</u>
3 Distribution of profit		
Reserve for development costs	-393	97
Retained earnings	<u>-1.607</u>	<u>-470</u>
	<u>-2.000</u>	<u>-373</u>

Notes

4 Intangible assets

	Completed development projects	Development projects in progress
Cost at the beginning	47.574	2.580
Additions for the year	0	480
Transfers for the year	2.797	-2.797
Cost at the end	<u>50.371</u>	<u>263</u>
Depreciation losses and impairment at the beginning	42.285	0
Depreciation for the year	5.494	0
Depreciation losses and impairment at the end	<u>47.779</u>	<u>0</u>
Carrying amount at the end	<u>2.592</u>	<u>263</u>

The Company is constantly developing its products. Development projects in progress relates to new features.

Notes

5 Tangible assets

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
Cost at the beginning	14.929	5.800	160	8
Additions for the year	69	664	0	41
Disposals for the year	0	-33	0	0
Transfers in progress for previous year	8	0	0	-8
Cost at the end	<u>15.006</u>	<u>6.431</u>	<u>160</u>	<u>41</u>
Impairment losses and depreciation at the beginning	13.730	5.570	93	0
Depreciation for the year	<u>719</u>	<u>263</u>	<u>20</u>	<u>0</u>
Impairment losses and depreciation at the end	<u>14.449</u>	<u>5.833</u>	<u>113</u>	<u>0</u>
Carrying amount at the end	<u>557</u>	<u>598</u>	<u>47</u>	<u>41</u>

6 Prepayments

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

Notes

	<u>2018</u> TDKK	<u>2017</u> TDKK
7 Provision for deferred tax		
Intangible assets	628	1.731
Property, plant and equipment	-835	-982
Prepayments	247	399
Tax loss carry-forward	-1.160	-1.363
Transferred to deferred tax asset	<u>1.120</u>	<u>215</u>
	<u>0</u>	<u>0</u>
Deferred tax asset		
Calculated tax asset	<u>1.120</u>	<u>215</u>
Carrying amount	<u>1.120</u>	<u>215</u>
8 Other provisions		
Balance at beginning of year	591	1.730
Provision in year	<u>112</u>	<u>-1.139</u>
Balance at the end	<u>703</u>	<u>591</u>
9 Deferred income		
Deffered income consists of payments received in respect of income in subsequent years.		

Notes

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
10 Staff		
Wages and Salaries	29.165	25.973
Pensions	3.423	3.423
Other social security expenses	158	70
	<u>32.746</u>	<u>29.466</u>
Average number of employees	<u>36</u>	<u>33</u>

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.

11 Contingencies, etc.

The Company has entered into rent agreements and operating leases amounting TDKK 2,066.

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.

12 Related parties and ownership structure

Controlling interest

The company is controlled by Mobile Devices Parent Holdings LLC.

Other related parties

Spectralink International Corporation, group enterprise.

Transactions

Spectralink Europe A/S have the following transactions with related parties in 2018 (TDKK):

Sales of goods to group enterprises	7,642
Purchase of goods from group enterprises	29,800
Purchase of services from group enterprises	31,516
Royalty to group enterprises	7,626
Interest paid to group enterprises	291