Charlie Tango A/S

Rosenvængets Allé 11, 2.

2100 København Ø

CVR No. 21029807

Annual Report 2018/19

Årsrapporten er fremlagt
og godkendt på selskabets
generalforsamling.
Dato: 22/8-2019

Dirigent: JACOB DRØHSE

Contents

Management's Statement

Today, Management has considered and adopted the Annual Report of Charlie Tango A/S for the financial year 1 January 2018 - 31 March 2019.

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 assets, liabilities and financial position of the Company at 31 March 2019 and of the results of the Company's operations and cash flow for the financial year 1 January 2018 - 31 March 2019.

In our opinion, the Management's Review includes a true and fair account of the matters addressed in the review.

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

Ballerup, 22 August 2019

Executive Board

Lars Bjørn Falkenberg
Man. Director

Supervisory Board

Eva Berneke Chair	Helle Berit Huss	Jannich Kiholm Lund

Independent Auditor's Report

To the shareholders of Charlie Tango A/S

Opinion
In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 March 2019 and of the results of its operations for the financial year 1 January 2018 - 31 March 2019 in accordance with the Danish Financial Statements Act.

We have audited the financial statements of Charlie Tango A/S for the financial year 1 January 2018 - 31 March 2019, which comprise an income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Statement on Management's Review
Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of opinion providing assurance regarding the Management's review.

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

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements in the Danish Financial Statements Act.

Based on our procedures, we are of the opinion that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements in the Danish Financial Statements Act. In our opinion, the Management's review is not materially misstated.

Management's responsibility 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 considers 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 either liquidate the Company or suspend operations, or has no realistic alternative but to do so.

The auditor's responsibility for the audit of the financial statements
Our responsibility is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect material misstatements. Misstatements

Independent Auditor's Report

can arise from fraud or error and can be considered material if it would be reasonable to expect that these - either individually or collectively - could influence the economic decisions taken by the users of financial statements on the basis of these financial statements.

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

* Identify and assess the risk of material misstatements in 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 a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or 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 whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.

* Conclude on whether Management's use of the going concern basis of accounting in preparing the financial statements is appropriate and, based on the audit evidence obtained, conclude on whether a material uncertainty exists relating to events or conditions, which could 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 auditors' 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 auditors' report. However, future events or conditions may imply that the Company can no longer remain a going concern.

* Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements reflect 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 which we identify during our audit.

Hellerup, 22 August 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33771231

Tue Stensgaard Sørensen
State Authorised Public Accountant
mne3220

Leif Ulbæk Jensen
State Authorised Public Accountant
mne23327

Company details

Company	Charlie Tango A/S Rosenvængets Allé 11, 2. 2100 København Ø
CVR No.	21029807
Registered office	København
Supervisory Board	Eva Berneke Helle Berit Huss Jannich Kiholm Lund
Executive Board	Lars Bjørn Falkenberg, Man. Director
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup CVR-no.: 33771231

Management's Review

The Company's principal activities
The Company's principal activities consist in development of innovative digital products, services and solutions across digital platforms as well as investments in other companies.

Development in activities and financial matters
NEC Corporation has acquired the KMD Group from the global private equity firm Advent International and the Danish pension fund Sampension in February 2019.

The acquisition of the KMD Group is part of NEC's growth strategy and expansion of the group's global competencies within software development. The KMD transaction is the biggest company acquisition for NEC and one of the biggest Japanese acquisitions of a foreign software company in the past decade.

The Company's Income Statement of the financial year 1 January 2018 - 31 March 2019 shows a result of DKK -10.708.520 and the Balance Sheet at 31 March 2019 a balance sheet total of DKK 20.817.758 and an equity of DKK -2.390.696.

Capital ressources and liquidity
The Company has lost more than 50% of its share capital as of 31 March 2019. Management expect to re-establish the equity through future operations.

The Company is financed through its parent company and have sufficient capital ressources available to continue its operations.

Accounting Policies

Reporting Class
The Annual Report of Charlie Tango A/S for 2018/19 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

Due to the acquisition of the KMD Group by NEC, the company has changed its fiscal year to align with the fiscal year in the NEC Group. As a result the fiscal year for 2018/19 includes 15 moths, and the fiscal year going forward will be from 1 April - 31 March.

Reporting currency
The Annual Report is presented in Danish kroner.

Translation policies
Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Financial Income and Expenses.

General Information

Basis of recognition and measurement
Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. Moreover, 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.

Assets are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will accrue 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 attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Accounting Policies

Income Statement

Gross profit/loss
The Company has decided to aggregate certain items of the Income Statement in accordance with the provisions of Section 32 of the Danish Financial Statements Act.

Revenue

Income from delivery of services is recognised as revenue as the service is delivered in accordance with the percentage of completion method.

Income from construction contracts are recognised as revenue as production is carried out whereby revenue corresponds to the selling price of the work performed for the year.

Cost of goods sold
Cost of goods sold include cost, which directly be held in order to achieve the net revenue.

Other external expenses
Other external expenses comprise expenses regarding sale and administration.

Staff expenses
Staff expenses comprise wages and salaries, pensions and social security costs.

Depreciation and amortisation expenses
Amortisation and impairment of intangible and tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Company. Useful life and residual value are reassessed annually. Non-current assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

	Useful life	Residual value
Goodwill	15 years	0%
Other fixtures and fittings, tools and equipment	3-10 years	0%
Leasehold improvements	5 years	0%

Financial income and expenses
Financial income and expenses are recognised in the Income Statement with the amounts that concern the financial year. Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses regarding securities, debt and foreign currency transactions, dividends received from other equity investments, amortisation of financial assets and liabilities as well as surcharges and allowances under the tax repayment scheme.

Tax on net profit/loss for the year
Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity. The Company and the Danish associates are taxed jointly. The Danish income tax is distributed between profit- and loss-making Danish enterprises in relation to their taxable income (full distribution).

Accounting Policies

Balance Sheet

Intangible assets
Goodwill is measured at cost less accumulated amortisation and impairment losses.

An impairment test of goodwill is performed in the event of indications of a decrease in value. The impairment test is performed for the activity or the business area to which the goodwill relates. Goodwill is written down to the higher of the value in use and the net selling price for the activity or business area to which the goodwill relates (recoverable amount) in the event that this one is lower than the carrying amount.

Tangible assets
Tangible assets are measured at cost plus revaluations, if any, and less accumulated amortisation and impairment losses. Cost comprises the purchase price and costs directly attributable to the purchase until the date when the asset is available for use.

Construction contracts
Construction contracts in progress are measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion at the balance sheet date and the estimated total income from the individual work in progress. The stage of completion is determined on the basis of costs incurred in relation to expected total costs.

Deduction for loss is determined as the total expected contract loss, irrespective of the share actually performed.

The value of the individual supplies in progress less invoicing on account is classified as receivables if the amounts are positive and as payables if the amounts are negative.

Receivables
Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Accrued income, assets
Accrued income recognised in assets comprises prepaid costs regarding subsequent financial years.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Equity
Proposed dividend for the year is recognised as a separate item in equity.

Financial liabilities

Fiancial liabilities are measured at amortised cost which usually corresponds to the nominal value.

Current tax liabilities
Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Income Statement

	Note	2018/19 kr.	2017 kr.
Gross profit		**53.681.868**	**22.901.222**
Staff expenses	1	-65.507.817	-22.743.721
Depreciation and amortisation expenses		-1.730.130	-721.976
Profit from ordinary operating activities		**-13.556.079**	**-564.475**
Financial expenses	2	-150.966	-15.766
Profit from ordinary activities before tax		**-13.707.045**	**-580.241**
Tax expense on ordinary activities		2.998.525	129.938
Profit / (loss)		**-10.708.520**	**-450.303**
Proposed distribution of results	3		
Retained earnings		-10.708.520	-450.303
Distribution of profit		**-10.708.520**	**-450.303**

Balance Sheet as of 31 March

	Note	2019 kr.	2017 kr.
Assets			
Goodwill		76.561	482.971
Intangible assets		**76.561**	**482.971**
Fixtures, fittings, tools and equipment		1.547.344	1.785.010
Leasehold improvements		463.402	481.613
Property, plant and equipment		**2.010.746**	**2.266.623**
Deposits, investments		704.986	103.087
Investments		**704.986**	**103.087**
Fixed assets		**2.792.293**	**2.852.681**
Short-term trade receivables		7.265.313	13.746.305
Contract work in progress		4.634.218	1.044.270
Short-term receivables from group enterprises		2.704.968	4.335.782
Current deferred tax		212.779	212.779
Short-term tax receivables		1.092.301	0
Other short-term receivables		0	446.591
Prepayments		238.881	363.908
Receivables		**16.148.460**	**20.149.635**
Cash and cash equivalents		**1.877.005**	**2.887.620**
Current assets		**18.025.465**	**23.037.255**
Assets		**20.817.758**	**25.889.936**

Balance Sheet as of 31 March

	Note	2019 kr.	2017 kr.
Liabilities and equity			
Share capital		751.723	751.723
Retained earnings		-3.142.419	7.566.101
Equity		**-2.390.696**	**8.317.824**
Debt to banks		0	186.510
Prepayments received for work in progress		1.253.741	3.405.406
Trade payables		1.786.186	2.126.099
Payables to group enterprises		8.958.824	1.078.896
Tax payables		0	1.906.532
Other payables		11.209.703	8.868.669
Short-term liabilities other than provisions		**23.208.454**	**17.572.112**
Liabilities and equity		**20.817.758**	**25.889.936**

Significant events occurring after end of reporting period	4
Contingent liabilities	5
Related parties	6

Statement of changes in Equity

	Contributed capital	Retained earnings	Total
Equity 1 July 2017	751.723	7.566.101	8.317.824
Profit (loss)		-10.708.520	-10.708.520
Equity 31 March 2019	**751.723**	**-3.142.419**	**-2.390.696**

The share capital has developed as follows:

	2019	2017	30-06-2016	30-06-2015	30-06-2014
Balance at the beginning of the year	751.723	555.000	555.000	555.000	555.000
Addition during the year		207.823			
Disposal during the year		-11.100			
Balance at the end of the year	**751.723**	**751.723**	**555.000**	**555.000**	**555.000**

Notes

	2018/19	2017
1. Staff expenses		
Wages and salaries	57.453.913	20.612.222
Pensions	7.151.682	1.883.896
Social security contributions	902.222	247.603
	65.507.817	**22.743.721**
Average number of employees	75	76
2. Financial expenses		
Finance expenses arising from group enterprises	102.574	0
Other finance expenses	48.392	15.766
	150.966	**15.766**
3. Distribution of profit		
Retained earnings	-10.708.520	-450.303
	-10.708.520	**-450.303**

4. Significant events occurring after end of reporting period

No significant events have occurred after the end of the reporting period.

5. Contingent liabilities

The Company has rental commitments totaling kr. 13.7 million of which kr. 4.7 million is due within 1 year and DKK 8.7 million is due between 1 and 5 years.

Charlie Tango is jointly taxed with the other Danish companies in the KMD Holding ApS Group. The joint taxation also covers withholding tax in the form of tax on dividends, royalties and interest. The Danish companies are jointly and severally liable for the joint taxation. Any subsequent corrections to the taxable income subject to joint taxation or withholding taxes may lead to a higher liability.

6. Related parties

Charlie Tango A/S is fully owned by KMD A/S which is a part of KMD Holding ApS Group. A copy of the Consolidated Financial Statements can be obtained through the Company Secretary at Lautrupparken 40, 2750 Ballerup, Denmark.

The Company is ultimately a 100% owned subsidiary of NEC Corporation.