

# **Avaya Denmark ApS**

Ørestads Boulevard 73

2300 København S

CVR No. 25448790

## **Annual Report**

1. oktober 2015 - 30. september 2016

16. financial year

The Annual Report was presented and  
adopted at the Annual General Meeting of  
the Company on 27 February 2017

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Peter Ole Jensen  
Chairman

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## Management's Statement

Today, Management has considered and adopted the Annual Report of Avaya Denmark ApS for the financial year 1 October 2015 - 30 September 2016.

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 30 September 2016 and of the results of the Company's operations for the financial year 1 October 2015 - 30 September 2016.

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.

Copenhagen, 27 February 2017

### Executive Board

Roland Arnoldus Cornelus van de  
Geer

**Man. Director**

### Supervisory Board

Peter Ole Jensen

**Chairman**

Roland Arnoldus Cornelus van de  
Geer

**Man. Director**

Julien Pierre Henry Hannequart

## **Independent Auditor's Report**

**To the shareholders of Avaya Denmark ApS**

### **Report on the Financial Statements**

We have audited the Financial Statements of Avaya Denmark ApS for the financial year 1 October 2015 - 30 September 2016 comprising Accounting Policies, Income Statement, Balance Sheet and Notes. The Annual Report is presented in accordance with the Danish Financial Statements Act.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the Danish Financial Statements Act, and for such internal controls as Management determines is necessary to enable preparation of Financial Statements that are free from material misstatements, 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 have conducted our audit in accordance with international standards on auditing and additional requirements under Danish auditor regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain a high degree of assurance as to whether the Financial Statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company'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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

In our opinion, the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualifications.

#### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 30 September 2016 and of the results of the Company's operations for the financial year 1 October 2015 - 30 September 2016 in accordance with the Danish Financial Statements Act.

## **Independent Auditor's Report**

### **Statement on Management's Review**

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Copenhagen, 27 February 2017

**BDO**

**Statsautoriseret Revisionsaktieselskab**

CVR-no. 20222670

Brian Olsen Halling

State Authorised Public Accountant

**Company details**

|                          |   |
|--------------------------|---|
| <b>Company</b>           | Avaya Denmark ApS<br>Ørestads Boulevard 73<br>2300 København S  |
| Telephone                | 70279901  |
| Telefax                  | 70729902  |
| CVR No.                  | 25448790  |
| Date of formation        | 14 June 2000  |
| Registered office        | København   |
| Financial year           | 1 October 2015 - 30 September 2016  |
| <b>Supervisory Board</b> | Peter Ole Jensen, Chairman<br>Roland Arnoldus Cornelus van de Geer, Man. Director<br>Julien Pierre Henry Hannequart |
| <b>Executive Board</b>   | Roland Arnoldus Cornelus van de Geer, Man. Director   |
| <b>Auditors</b>          | BDO<br>Statsautoriseret Revisionsaktieselskab<br>Havneholmen 29<br>1561 København V<br>CVR-no.: 20222670            |

## Management's Review

### The Company's principal activities

Avaya is a leading global provider of next-generation business collaboration and communications solutions, providing unified communications, real-time video collaboration, contact center and data solutions, and related services to companies of all sizes around the world.

Enterprises of all sizes depend on Avaya for state-of-the-art communications that improve efficiency, collaboration, customer service and competitiveness. Avaya works mainly in Education, Financial Services, Healthcare, State and Local Government, and Hospitality industry verticals.

Avaya in the Nordics predominantly works through channel partners. The main partners in the region are Westcon, AT&T, ATEA, TDC, Tele2, Cygate and IPNett.

### Development in activities and financial matters

The Company's Income Statement of the financial year 1. oktober 2015 - 30. september 2016 shows a result of DKK 185.939 and the Balance Sheet at 30. september 2016 a balance sheet total of DKK 19.607.408 and an equity of DKK 10.895.627.

Avaya continues to focus on innovation, openness and integration. Avaya is recognized by analysts as one of the leaders in the Contact Center and Unified Communications market and Avaya is today also an important player in the Networking and Cloud infrastructure market space with products that outperforms well established competitors. There has been a significant focus on virtualization and cloud solutions which fits well into the Avaya strategy and roadmap.

In the continuing effort of strengthening the growing business in the Nordics, Avaya has in FY16 appointed new leadership in the Region by naming new regional Sales lead and a new Swedish Sales Director. The Regional Headcount is expected to remain flat.

### Post financial year events

After the end of the financial year, no events have occurred which may change the financial position of the entity substantially.

### Expectations for the future

Avaya continues to operate in a highly competitive business environment with ongoing consolidation and communications vendors and customers. Enterprises are focusing on building an efficient and open communication infrastructure to support the business by enhancing communication and customer service while reducing costs. Industry growth in 2016 was driven primarily by up selling and upgrading the installed base and by selling new infrastructure and collaboration solutions.

Avaya is positioned for growth with strong offerings in the rapidly expanding areas of enterprise mobility/BYOD, network, collaboration and midmarket. Avaya continues to invest in innovation to meet the demands of customers today and into the future. R&D investment (16% of product revenue) is above the industry average, as we work closely with our customers and partners to shape the future of collaboration.

To facilitate the restructuring, Avaya Inc. filed a voluntary petition under Chapter 11 of the US Bankruptcy Code. Foreign subsidiaries of Avaya Inc. such as Avaya Denmark ApS are not covered by the petition and will continue normal operations. Due to the above the second point of the financial statements indicates that the financial statement was prepared on the assumption that the company operations will remain unchanged in the foreseeable future and that there are no circumstances indicating a threat to the continuation of activities.

## Accounting Policies

### Reporting Class

The Annual Report of Avaya Denmark ApS for 2015/2016 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.

### 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.

#### Raw materials and consumables

Costs for raw materials and consumables comprise purchase of goods and services for resale.

#### Other external expenses

Other external expenses comprise expenses regarding sale and administration.

#### Other operating expenses

Other operating expenses comprise items of a secondary nature to the activities of the enterprises, including loss on sale of intangible and tangible assets.

#### Staff expenses

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

Other staff expenses are recognised in other external expenses.

#### Amortisation and impairment of tangible assets

Amortisation and impairment of tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Company. 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 |
|--|-------------|----------------|
| Other fixtures and fittings, tools and equipment | 3-10 years  | 0%             |

Profit or loss resulting from the sale of tangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under other operating income or expenses.

#### 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 debt and foreign currency transactions, 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.

## Accounting Policies

### Balance Sheet

#### 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.

An impairment test of tangible assets is performed in the event of indications of a decrease in value. The impairment test is performed for each individual asset and group of assets, respectively. The assets are written down to the higher of the asset's or asset group's value in use and the net selling price (recoverable amount) in the event that this one is lower than the carrying amount.

#### Inventories

Inventories are measured at cost on the basis of the FIFO principle or at the net realisable value if the latter is lower.

#### 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.

#### Deferred tax

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

#### Financial liabilities

Other 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.

#### Accruals and deferred income, equity and liabilities

Accruals and deferred income entered as liabilities consist of payments received regarding income in the subsequent financial years.

#### Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

## Income Statement

|  | Note | 2015/2016<br>kr. | 2014/2015<br>kr.  |
|--|------|------------------|-------------------|
| <b>Gross profit</b>  |      | <b>9.984.181</b> | <b>11.027.462</b> |
| Employee benefits expense  | 1    | -9.342.354       | -9.295.510        |
| Depreciation, amortisation expense and impairment losses of property, plant and equipment recognised in profit or loss |      | -345.959         | -263.627          |
| Other operating expenses   |      | -20.451          | 0                 |
| <b>Profit from ordinary operating activities</b>   |      | <b>275.417</b>   | <b>1.468.325</b>  |
| Finance income   |      | 574.639          | 700.262           |
| Finance expences   |      | -585.296         | -745.382          |
| <b>Profit from ordinary activities before tax</b>  |      | <b>264.760</b>   | <b>1.423.205</b>  |
| Tax expense on ordinary activities   | 2    | -78.821          | -355.767          |
| <b>Profit</b>  |      | <b>185.939</b>   | <b>1.067.438</b>  |
| <b>Proposed distribution of results</b>  |      |                  |                   |
| Retained earnings  |      | 185.939          | 1.067.438         |
|  |      | <b>185.939</b>   | <b>1.067.438</b>  |

## Balance Sheet as of 30. September

|   | Note | 2016<br>kr.       | 2015<br>kr.       |
|---|------|-------------------|-------------------|
| <b>Assets</b>                                 |      |                   |                   |
| Fixtures, fittings, tools and equipment       |      | 692.512           | 1.024.945         |
| <b>Property, plant and equipment</b>          |      | <b>692.512</b>    | <b>1.024.945</b>  |
| Deposits, investments                         |      | 67.309            | 247.593           |
| <b>Investments</b>                            |      | <b>67.309</b>     | <b>247.593</b>    |
| <b>Fixed assets</b>                           |      | <b>759.821</b>    | <b>1.272.538</b>  |
| Raw materials and consumables                 |      | 37.705            | 97.987            |
| <b>Inventories</b>                            |      | <b>37.705</b>     | <b>97.987</b>     |
| Short-term trade receivables                  |      | 3.775.230         | 5.098.599         |
| Short-term receivables from group enterprises |      | 13.737.329        | 16.618.650        |
| Deferred income                               |      | 87.649            | 37.897            |
| Current deferred tax                          |      | 37.529            | 6.629             |
| <b>Receivables</b>                            |      | <b>17.637.737</b> | <b>21.761.775</b> |
| <b>Cash and cash equivalents</b>              |      | <b>1.172.145</b>  | <b>1.718.758</b>  |
| <b>Current assets</b>                         |      | <b>18.847.587</b> | <b>23.578.520</b> |
| <b>Assets</b>                                 |      | <b>19.607.408</b> | <b>24.851.058</b> |

## Balance Sheet as of 30. September

|  | Note | 2016<br>kr.       | 2015<br>kr.       |
|--|------|-------------------|-------------------|
| <b>Liabilities and equity</b>                                |      |                   |                   |
| Contributed capital  | 3    | 125.000           | 125.000           |
| Retained earnings  | 4    | 10.770.627        | 10.584.688        |
| <b>Equity</b>  |      | <b>10.895.627</b> | <b>10.709.688</b> |
| Provisions for deferred tax                                  | 5    | 0                 | 0                 |
| <b>Provisions</b>  |      | <b>0</b>          | <b>0</b>          |
| Tax payables   |      | 0                 | 336.339           |
| <b>Long-term liabilities other than provisions</b>           |      | <b>0</b>          | <b>336.339</b>    |
| Trade payables   |      | 318.794           | 717.603           |
| Payables to group enterprises                                |      | 2.383.272         | 7.381.527         |
| Tax payables   |      | 180.284           | 134.583           |
| Other payables   |      | 1.711.120         | 2.380.599         |
| Deferred income, liabilities                                 |      | 4.118.311         | 3.190.719         |
| <b>Short-term liabilities other than provisions</b>          |      | <b>8.711.781</b>  | <b>13.805.031</b> |
| <b>Liabilities other than provisions within the business</b> |      | <b>8.711.781</b>  | <b>14.141.370</b> |
| <b>Liabilities and equity</b>                                |      | <b>19.607.408</b> | <b>24.851.058</b> |
| Related parties  | 6    |                   |                   |
| Contingent liabilities                                       | 7    |                   |                   |

## Notes

### 1. Employee benefits expense

|                                 | 2015/2016        | 2014/2015        |
|---------------------------------|------------------|------------------|
| Wages and salaries              | 8.517.903        | 8.438.124        |
| Post-employment benefit expense | 804.444          | 838.666          |
| Social security contributions   | 20.007           | 18.720           |
|                                 | <b>9.342.354</b> | <b>9.295.510</b> |

### 2. Tax expense

|   |               |                |
|---|---------------|----------------|
| Computed tax on taxable income for the year | 109.721       | 336.339        |
| Adjustment of deferred tax                  | -30.900       | 19.428         |
|   | <b>78.821</b> | <b>355.767</b> |

### 3. Contributed capital

|                                       | 2016           | 2015           |
|---------------------------------------|----------------|----------------|
| Balance at the beginning of the year  | 125.000        | 125.000        |
| <b>Balance at the end of the year</b> | <b>125.000</b> | <b>125.000</b> |

The share capital consists of 125 shares of DKK 1.000. Shares are not divided into classes.

The share capital has remained unchanged for the last 5 years.

### 4. Retained earnings

|                                       | 2016              | 2015              |
|---------------------------------------|-------------------|-------------------|
| Balance at the beginning of the year  | 10.584.688        | 9.517.250         |
| Additions during the year             | 185.939           | 1.067.438         |
| <b>Balance at the end of the year</b> | <b>10.770.627</b> | <b>10.584.688</b> |

### 5. Provisions for deferred tax

### 6. Related parties

The consolidated financial statements of ultimate parent company can be ordered at the following address: Sierra Asia Pacific Inc, 211, Mount Airy Road, Basking Ridge, NJ 07920, USA.

### 7. Contingent liabilities

The company has made a lease commitment that has an interterminal period of 3 months. Total liability for payment of rent amounts to TDKK 246.