

**Secunia ApS
Central Business Registration No
26833345
Rued Langgaards Vej 8, 4.
DK-2300 Copenhagen S**

Annual report 2015

The Annual General Meeting adopted the annual report on 10.06.2016

Chairman of the General Meeting

Name: James Patrick Ryan

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Entity details

Entity

Secunia ApS
Rued Langgaards Vej 8, 4.
DK-2300 Copenhagen S

Central Business Registration No: 26833345

Founded: 22.10.2002

Registered in: Copenhagen

Financial year: 01.01.2015 - 31.12.2015

Board of Directors

James Patrick Ryan, Chairman

Kraig Stephen Washburn

Joseph William Freda

Executive Board

James Patrick Ryan, Chief Executive Officer

Joseph William Freda, Chief Financial Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P.O. Box 1600

0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Secunia ApS for the financial year 01.01.2015 - 31.12.2015.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

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

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

Copenhagen, 10.06.2016

Executive Board

James Patrick Ryan
Chief Executive Officer

Joseph William Freda
Chief Financial Officer

Board of Directors

James Patrick Ryan
Chairman

Kraig Stephen Washburn

Joseph William Freda

Independent auditor's reports

To the owner of Secunia ApS

Report on the financial statements

We have audited the financial statements of Secunia ApS for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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 determines is necessary to enable the preparation of 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 Management, as well as 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 audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. 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 commentary is consistent with the financial statements.

Copenhagen, 10.06.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Christian Sanderhage
State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

	2015	2014	2013	2012	2011
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial high-lights					
Key figures					
Revenue	106,271	96,782	101,612	118,452	113,322
Gross profit/loss	64,603	60,538	51,932	66,734	64,612
Operating profit/loss	(619)	2,300	(24,965)	(17,691)	(2,744)
Net financials	(14,638)	(2,820)	(2,041)	(2,981)	1,225
Profit/loss for the year	(25,714)	(624)	(22,257)	(16,010)	(1,209)
Total assets	29,269	49,933	59,320	63,979	78,577
Investments in property, plant and equipment	2,237	1,056	2,550	4,237	10,738
Equity	(72,265)	(46,551)	(58,179)	(36,106)	(20,096)
Ratios					
Gross margin (%)	60.8	62.6	51.1	56.3	57.0
Net margin (%)	(24.2)	(0.6)	(21.9)	(13.5)	(1.1)
Return on equity (%)	43.3	1.2	47.2	57.0	6.2
Solvency ratio (%)	(246.9)	(93.2)	(98.1)	(56.4)	(25.6)

Management commentary

Primary activities

Secunia is a global player within the IT security ecosystem, in the niche of Vulnerability Management.

Development in activities and finances

The loss realised by the Company in the financial year amounts to DKK 25,714 thousand (2014: Loss DKK 624 thousand) which Management considers unsatisfactory.

Due to the Company having lost its equity, the owner Flexera Software LLC (USA) has issued a letter of support promising to provide the necessary funds. The Company expects its equity restored through own earnings in the coming years.

Outlook

Management expects improved results in 2016.

Events after the balance sheet date

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

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied for these financial statements are consistent with those applied last year except for the section below.

Changes in accounting policies

In 2015, the Company has changed its accounting policy in the financial statements concerning the recognition of investments in group enterprises so that they are recognised at cost less impairment, with revenue recognition of dividends received. Previously, investments in group enterprises were recognised according to the equity method. The policy change is made in order to present the direct return on investments in the form of dividends received.

The policy change has affected the P/L for 2014 with a loss of DKK 2,755 thousand, including the balance sheet with DKK 1,438 thousand concerning investment in group enterprises. Equity at beginning of the year 2014 has been corrected with DKK 1,438 thousand. Comparative figures have been restated.

Recognition and measurement

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

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

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

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

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

Accounting policies

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue is recognised when delivery and transfer of risk to the buyer have been made prior to year-end. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Licence sales are recognised at the time of sale and subscription agreements are recognised over the subscription period.

Other external expenses

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

Staff costs

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

Amortisation, depreciation and impairment losses

Amortisation and depreciation relating to property, plant and equipment comprise amortisation and depreciation for the financial year, calculated on the basis of the residual values and useful lives of the individual as well as gains and losses from the sale of property, plant and equipment.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises and payables and transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises and payables and transactions in foreign currencies.

Accounting policies

Income taxes

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

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

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

Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	10 years

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

Investments in group enterprises

Investments in group enterprises are measured at cost and are written down to the lower of recoverable amount and carrying amount.

Receivables

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

Deferred tax

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

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

Accounting policies

Income tax payable or receivable

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

Prepayments

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

Other investments

Securities recognised under current assets comprise listed bonds and investments measured at fair value (market price) at the balance sheet date.

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

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

Deferred income

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

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, Secunia ApS has not prepared a cash flow statement.

Accounting policies

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
Gross margin (%)	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$	The Entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The Entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The Entity's return on capital invested in the Entity by the owners.
Solvency ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strenght of the Entity.

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Revenue		106,271	96,782
Other external expenses		<u>(41,668)</u>	<u>(36,244)</u>
Gross profit/loss		64,603	60,538
Staff costs	2	(62,561)	(54,378)
Depreciation, amortisation and impairment losses		<u>(2,661)</u>	<u>(3,860)</u>
Operating profit/loss		(619)	2,300
Other financial income	3	8	774
Other financial expenses	4	<u>(14,646)</u>	<u>(3,594)</u>
Profit/loss from ordinary activities before tax		(15,257)	(520)
Tax on profit/loss from ordinary activities	5	<u>(10,457)</u>	<u>(104)</u>
Profit/loss for the year		<u>(25,714)</u>	<u>(624)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(25,714)</u>	<u>(624)</u>
		<u>(25,714)</u>	<u>(624)</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Other fixtures and fittings, tools and equipment		2,956	3,121
Leasehold improvements		1,494	1,753
Property, plant and equipment	6	<u>4,450</u>	<u>4,874</u>
Investments in group enterprises		6	6
Deposits		1,382	1,397
Fixed asset investments	7	<u>1,388</u>	<u>1,403</u>
Fixed assets		<u>5,838</u>	<u>6,277</u>
Trade receivables		2,383	18,230
Receivables from group enterprises		7,152	144
Deferred tax assets	8	4,311	15,782
Other short-term receivables		328	442
Income tax receivable		0	193
Prepayments	9	839	3,488
Receivables		<u>15,013</u>	<u>38,279</u>
Other investments		0	6
Other investments		<u>0</u>	<u>6</u>
Cash	10	<u>8,418</u>	<u>5,371</u>
Current assets		<u>23,431</u>	<u>43,656</u>
Assets		<u><u>29,269</u></u>	<u><u>49,933</u></u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Contributed capital	11	129	129
Retained earnings		<u>(72,394)</u>	<u>(46,680)</u>
Equity		<u>(72,265)</u>	<u>(46,551)</u>
Other payables		<u>0</u>	<u>8,961</u>
Non-current liabilities other than provisions		<u>0</u>	<u>8,961</u>
Trade payables		389	8,343
Debt to group enterprises		48,360	937
Other payables	12	16,309	27,866
Deferred income	13	<u>36,476</u>	<u>50,377</u>
Current liabilities other than provisions		<u>101,534</u>	<u>87,523</u>
Liabilities other than provisions		<u>101,534</u>	<u>96,484</u>
Equity and liabilities		<u>29,269</u>	<u>49,933</u>
Going concern	1		
Unrecognised rental and lease commitments	14		
Consolidation	15		

Statement of changes in equity for 2015

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	129	(46,680)	(46,551)
Profit/loss for the year	0	(25,714)	(25,714)
Equity end of year	129	(72,394)	(72,265)

Equity at the beginning of 2014 has been adjusted by DKK 1,438 thousand as a result of the change in accounting policies for investments in group enterprises, see accounting policies.

Notes

1. Going concern

Due to the Company having lost its equity, the owner Flexera Software LLC, USA has issued a letter of support promising to provide the necessary funds. The Company expects its equity restored through own earnings in the coming years.

	2015 DKK'000	2014 DKK'000
2. Staff costs		
Wages and salaries	60,061	52,586
Pension costs	588	325
Other social security costs	1,912	1,467
	62,561	54,378
Average number of employees	61	65
	Remune- ration of manage- ment 2015 DKK'000	Remune- ration of manage- ment 2014 DKK'000
Executive Board	5,427	4,040
Board of Directors	227	550
	5,654	4,590
	2015 DKK'000	2014 DKK'000
3. Other financial income		
Financial income arising from group enterprises	0	6
Interest income	8	0
Exchange rate adjustments	0	768
	8	774
	2015 DKK'000	2014 DKK'000
4. Other financial expenses		
Interest expenses	6,835	3,490
Exchange rate adjustments	1,491	0
Other financial expenses	6,320	104
	14,646	3,594

Notes

	2015	2014
	DKK'000	DKK'000
5. Tax on ordinary profit/loss for the year		
Change in deferred tax for the year	11,471	(114)
Adjustment relating to previous years	(1,014)	218
	10,457	104
	Other fix- tures and fittings, tools and equipment	Leasehold improve- ments
	DKK'000	DKK'000
6. Property, plant and equipment		
Cost beginning of year	19,339	2,588
Additions	2,237	0
Disposals	(67)	0
Cost end of year	21,509	2,588
Depreciation and impairment losses beginning of the year	(16,218)	(835)
Depreciation for the year	(2,402)	(259)
Reversal regarding disposals	67	0
Depreciation and impairment losses end of the year	(18,553)	(1,094)
Carrying amount end of year	2,956	1,494

Notes

	Investments in group enterprises DKK'000	Deposits DKK'000
7. Fixed asset investments		
Cost beginning of year	6	1,397
Disposals	0	(15)
Cost end of year	6	1,382
Carrying amount end of year	6	1,382

	Registered in	Corpo- rate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
Subsidiaries:					
Secunia Inc	USA	Inc.	100.00	15,935	14,560
Secunia SRL	Romania	SRL	100.00	172	138

	2015 DKK'000	2014 DKK'000
8. Deferred tax		
Property, plant and equipment	3,426	2,833
Provisions	885	440
Tax losses carried forward	0	12,509
	4,311	15,782

9. Prepayments

The amount consists of costs paid in advance.

10. Cash and cash equivalents

DKK 350 thousand of cash and cash equivalents has been placed in a frozen account.

Notes

	<u>Number</u>	<u>Nominal value DKK'000</u>
11. Contributed capital		
A-shares	38,690	39
B-shares	86,310	86
D-shares	4,464	4
	<u>129,464</u>	<u>129</u>

	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>	<u>2013 DKK'000</u>	<u>2012 DKK'000</u>	<u>2011 DKK'000</u>
Changes in contributed capital					
Contributed capital beginning of year	129	125	125	125	125
Increase of capital	0	4	0	0	0
Contributed capital end of year	<u>129</u>	<u>129</u>	<u>125</u>	<u>125</u>	<u>125</u>

A-shares have influence on decision making.

B-shares have no special rights.

D-shares have preference to dividend before A and B shares.

	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
12. Other short-term payables		
Wages and salaries, personal income taxes, social security costs, etc. payable	7,484	2,436
Holiday pay obligation	5,325	5,047
Other costs payable	3,500	20,383
	<u>16,309</u>	<u>27,866</u>

13. Short-term deferred income

The amount consists of deferred revenue from contracts concluded.

	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
14. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	<u>7,475</u>	<u>7,623</u>

Notes

15. Consolidation

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

Ontario Teachers Pension Plan, Canada

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

Flexera Software Holdings Ltd, United Kingdom