

Zylinc A/S

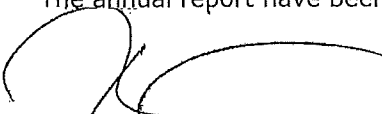
Strandvejen 104A, 2900 Hellerup

Annual report

1 October 2017 - 30 September 2018

Company reg. no. 28 88 85 97

The annual report have been submitted and approved by the general meeting on the 1 March 2019.


René Viborg
Chairman of the meeting

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Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of Zylinc A/S for the financial year 1 October 2017 to 30 September 2018.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 30 September 2018 and of the company's results of its activities in the financial year 1 October 2017 to 30 September 2018.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Hellerup, 25 February 2019

Managing Director



René Viborg
Board of directors

Peter Stig Andersen



René Viborg



Andrew Dow Pierce

Independent auditor's report

To the shareholder of Zylinc A/S

Opinion

We have audited the annual accounts of Zylinc A/S for the financial year 1 October 2017 to 30 September 2018, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 30 September 2018 and of the results of the company's operations for the financial year 1 October 2017 to 30 September 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

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

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts 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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

Independent auditor's report

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

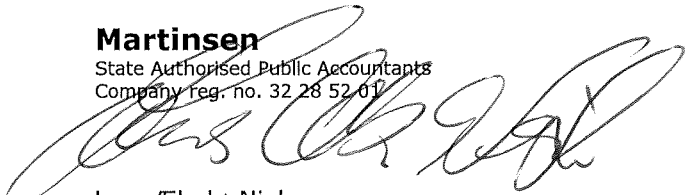
Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Esbjerg, 25 February 2019

Martinsen

State Authorised Public Accountants
Company reg. no. 32 28 52 01



Lars Ebelø-Nielsen
State Authorised Public Accountant
mne33693

Company data

| | |
|---------------------------|--|
| The company | Zylinc A/S Strandvejen 104A 2900 Hellerup |
| | Company reg. no. 28 88 85 97 |
| | Domicile: Hellerup |
| | Financial year: 1 October - 30 September |
| Board of directors | Peter Stig Andersen René Viborg Andrew Dow Pierce |
| Managing Director | René Viborg |
| Auditors | Martinsen Statsautoriseret Revisionspartnerselskab Edison Park 4 6715 Esbjerg N |
| Bankers | Jyske Bank, Strandvejen 112, 2900 Hellerup |
| Lawyer | Nielsen Nørager Advokatpartnerselskab, Frederiksberggade 16, 1459 København K |
| Parent company | Viborg Holding ApS |
| Subsidiary | Zylinc AB, Sweden |

Financial highlights

| DKK in thousands. | <u>2017/18</u> | <u>2016/17</u> | <u>2015/16</u> | <u>2014/15</u> | <u>2013/14</u> |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Profit and loss account: | | | | | |
| Gross profit | 28.250 | 32.322 | 28.763 | 33.901 | 29.889 |
| Results from operating activities | -868 | 6.794 | 2.788 | 11.331 | 11.182 |
| Net financials | 2.024 | 2.454 | 581 | 347 | -7 |
| Results for the year | 1.097 | 7.556 | 2.660 | 8.741 | 8.357 |
| Balance sheet: | | | | | |
| Balance sheet sum | 33.723 | 34.254 | 30.844 | 35.677 | 26.137 |
| Equity | 28.054 | 27.139 | 23.608 | 26.205 | 17.464 |
| Employees: | | | | | |
| Average number of full time employees | 44 | 37 | 35 | 32 | 27 |
| Key figures in %: | | | | | |
| Solvency ratio | 83,2 | 79,2 | 76,5 | 73,5 | 66,8 |
| Return on equity | 4,0 | 29,8 | 10,7 | 40,0 | 54,7 |

The calculation of key figures and ratios follow the Danish Association of Finance Analysts' recommendations.

Management's review

The principal activities of the company

The Zylinc Business Suite combines Information and Communication Technology (ICT) in a unique way to provide unparalleled strategic value to enterprises in terms of enabling supreme customer experience at lower costs, boost employee productivity and improve business process efficiency. In addition to offering the most advanced solutions in the market, the Zylinc Business Suite is highly reliable, secure and robust satisfying the most demanding large enterprises for mission-critical applications.

Based on a unique cloud architecture enabling agile development, easy on boarding and maintenance of new customers, Zylinc is pursuing a sustainable business strategy accelerating its lead over competition and establishing a strong position in the fast-growing market defined by cloud-based business suites for Unified Communications (UC) to small, midsize and large enterprises. Zylinc's market awareness and footprint is continuously increasing, maintaining the position as leading provider in the Nordics of cloud-based UC business solutions (UCaaS)

The significant activities of Zylinc

In FY2018 the focus was directed at our UC Cloud business software.

The key component in internationalisation is scalability in both the software and in the organisation. Therefore, significant investments have been made in both areas.

Zylinc invested extensive resources in making our product easier to install and deploy, both in the leading Cloud providers SaaS platform, Azure, Amazon, Google etc. In addition, Zylinc has further developed our API-only strategy, whereby our customers can integrate easily to other business applications. As a result of this strategy Zylinc has in FY2018 successfully added more 3rd party integrations including Salesforce, Service Now and MS Dynamics integration.

In FY2018 Zylinc added Avaya to our extensive list of integrations thereby opening up a very attractive market. Zylinc has five large customers lined up for delivery on this platform.

Development in activities and financial matters

The revenue for FY2018 is DKK 35.235.000 against DKK 41.718.000 for FY2017. Results from ordinary activities after tax are DKK 1.097.000 for FY2018 against DKK 7.010.000 for FY2017.

Management's review

Zylinec has over the last 5 year successfully transformed its revenue composition. Recurring license revenue ("OPEX") is steadily replacing traditional license revenue ("CAPEX"), meaning that 75% of all revenue in the company is now recurring.

Last year Management made the decision to further invest in our product development, therefore Management considers the results satisfactory.

In FY2018 Zylinec has excelled in attracting high profile customers and transforming the Company toward international markets. Other major achievement in FY2018 was Zylinec's success in the Finance sector. There are 89 banks in Denmark, 50 of those are now Zylinec customers. Additional international high-profile banks are in process. Another notable growth area is local governments. Zylinec has further expanded the customer base with three of the largest local governments in the Finnish market.

Managements expectation for FY2019 are strong growth in revenues, earnings and cash flow contribution.

Investment in growth

As previous years, the internationalisation activities were funded out of operational cash flows, reducing profits in the fiscal year. The company has a strong cash position generated from operational profits in previous years. The Company has no external investor capital or bank debts. The company's resources were focused on strategic long-term, large-scale international business opportunities with deferred revenue contributions rather than short term local opportunities with significantly smaller but rapid revenue contributions.

Internationalisation strategy

Zylinec has an internationalisation strategy, balanced by available funding resources provided by operational cash flows. Additional relevant competences are continuously added across the organisation and new international partners are continuously added.

The unique solution architecture is further improved; business functions and facilities are expanded to satisfy large international telecom partners and enterprise customers.

In FY2018 Zylinec has delivered solutions to major enterprises outside the Nordic area - including Germany, UK, Holland and Belgium. Outside Europe, Zylinec has a large installed solution base in India. Counting global corporate customers' international affiliates, Zylinec solutions are now in operation in around 54 countries. Although the Company is short in employee resources, Zylinec has extended its market reach and capability by introducing a web-based roll-out strategy, enhanced Cloud deployment and a new e-Learning platform. The e-Learning platform - Zylinec Unified Help won the 2018 international UK Technical Communication Awards for best unified communications hub.

Organisation

Zylinec has entered a maturity phase where the company has attracted highly experienced senior management. A new director has been added to the organisation; Technical Director in charge of Development.

Management's review

Due to the large inflow of international orders, investments in further strengthening the organisation by adding new personnel are made

Distribution model

Zylinec's unique Business Suite is positioned in the fastest growing segments of UC with growth rates at 15- 30 % p.a. in a market of around \$18 billion in annual revenues (Link to Market Research). The Software solutions are offered as cloud-based services (UCaaS) by hosting partners and telecom operators or implemented in mixed environments (hybrid). The Software is licensed by Zylinec to end customers.

Go-to-market strategy

The go-to-market strategy is primarily partner based. Partners such as systems integrators and telecom operators distribute (sub-license) the Software to their enterprise customers in private or public clouds and in hybrid setups where parts of the Software are offered in a SaaS licensing model by the partner hosting the Software. The Software may be operated either on the partner's hosted telephony platform on a subscription basis and offered to the partner's end users in a SaaS (Software-as-a-Service) licensing model

- installed and supported by the partner to the partner's customers.

In FY2018 a new Cloud Licensing audit system has been introduced, which make ordering, compliance and invoicing more effective.

The software

Zylinec has spent most of FY2018 further strengthening and scaling our business platform according to the needs of the new international customers.

The proprietary Zylinec Business Suite is a new generation of open, API driven, vendor independent enterprise software solutions.

The Business Suite comprises a portfolio of solutions including Attendant Console, Contact Center, Service Center, web-based switching, mobile presence, IP based Contact Center with numerous communication channels, omni-channel, as well as communication solutions for knowledge workers based on desktop applications, tablets, IP phones and smartphones.

In addition to the software solutions, the Company offers services assisting the customers to obtain maximum business value from the Business Suite through fast on-boarding and secure operation.

Architecture

Thanks to its unparalleled systems architecture, the Zylinec UC Business Suite is easier to integrate, implement, operate, customise, support and maintain than any competitor offering in the market. This enables global enterprise customers' central IT departments, after short training by Zylinec staff, to roll out and support the Zylinec solutions across departments worldwide. The high agility of the Zylinec solution architecture even allows enterprise customers to develop their own supplementary solutions on top of the platform. Zylinec supports the entire multinational corporation through its central IT functions and web connections.

Zylinec's solution suite is deeply integrated with Cisco, Avaya, Microsoft Teams and Skype For Business. Zylinec even expand the reach of the solution portfolio to other SIP, Web communication providers, which makes the solution perfectly positioned to embrace new markets and other new and

Management's review

upcoming communication providers.

Market

Zylinc's competitive advantages and prospects on an international level are fuelled by the advanced technological state of the home market in the Nordics with early adoption of high-performance broadband, IP telephony and fast mobile networks. The Nordic countries enjoy a substantial lead in ICT in general; UC technology adoption is far more advanced compared to the rest of the world, creating massive global opportunities for Zylinc in the years to come. The company is continuously receiving unsolicited requests

for its solutions from across the globe, reflecting a rapid surge in international demand. So far, due to its limited employee resources, Zylinc has only been able to take on a fraction of the many potential international customers and partners that have addressed the company with requests for business.

Market benchmark

Zylinc offers the most comprehensive and feature rich Business Suite with the broadest appeal in the market in terms of end user roles as well as enterprise customer types. All employees in the enterprise organisation can benefit from the Zylinc Business Suite, which delivers the highest degree of security, reliability and operational efficiency, making the Suite attractive for mission critical business applications even in the largest and most demanding enterprises.

The Zylinc Business Suite fulfils all five characteristics of a successful UC offering according to Gartner Group:

- **User experience** — Zylinc's solutions consistently deliver high quality end user experiences across a wide range of roles and functions of employees in a major enterprise:
 - o **Customer service agents** are enabled to provide faster and more personalised responses to customer requests;
 - o **Attendants** are supported to provide swift and precise switching of customers to a relevant and available employee who can provide a professional service to the customer;
 - o **Supervisors** are provided tools and statistics helping them manage the workforce effectively;
 - o **Knowledge workers**, whether stationary or mobile, are empowered to interact effectively with both colleagues and key customers, enhancing the customer service experience substantially and improving workforce productivity across the entire organisation.

- **Mobility** — Zylinc fulfils user expectations of complete UC functionality on mobile devices and integration of mobile devices with desktop and back-office systems, allowing for a powerful virtual work environment in the modern hyper-communicating mobile enterprise.

- **Interoperability** — Zylinc empowers enterprises to avoid technological "closed gardens" and vendor lock-in, while fully enabling inter-company B2B, business-to-partner (B2P) and business-to-consumer (B2C) data and communication federation.

- **Cloud and hybrid** — Zylinc's open and flexible systems architecture facilitate integration of on-

Management's review

premises UC with cloud and hybrid UC services

• **Broad solution appeal** — Zylinc's solutions have proven to be attractive to a broad and diverse audience of enterprise decision influencers including end users, IT and communications professionals as well as members of the executive office.

Zylinc's installed base counts more than 800.000 enterprise users in Europe. In addition, India's second largest telecom operator has distributed several hundred thousand licenses of an older version of Zylinc's software.

Zylinc's solutions have a compelling value proposition, enabling enterprises to gain sustainable competitive advantages through mission critical applications enhancing customer service levels, accelerating business processes and improving employee productivity.

For telecom partners in a highly competitive environment with increasing pressures on revenues and market shares, the Zylinc Business Suite provides a convincing and documented set of competitive advantages helping improve strategic positions in the following areas:

- Attracting high-value enterprise customers with feature-rich business relevant solutions;
- Increased customer satisfaction with quality solutions fulfilling real customer needs;
- "Stickiness" with strategic benefits for customers, attracting and retaining them to the solutions;
- Reduced churn through improved customer loyalty, significantly reducing loss of subscribers;
- Increased "ARPU" (Average Revenues per User) through cross-selling of additional products and services generating higher revenues per user.

Management's review

The expected development

Management will continue execution of the internationalisation strategy with positive relations to all major platform vendors, notably Cisco, BroadSoft, Microsoft and Avaya. Zylinc's business suite is technically certified for integration with these vendors. Management expects further acceleration in the distribution of products and services, particularly in international markets in partnership with major telecom operators.

The supremely agile solution architecture and highly talented pool of software developers enable the Company to move fast in response to changes in customer needs and markets, thus extending its business suite's already substantial lead over competition.

According to a study from Synergy Research Group, the fastest growing segments of UCaaS are business solutions delivered over the web. Zylinc is firmly positioned to compete effectively in these hyper-growth markets in collaboration with major system integrators and telecom operators.

Zylinc's solutions are mission critical to its users. The company experiencing virtually zero churn in FY2018. Existing customers are expanding the use of the Zylinc solutions and our partners are increasing number of new enterprise accounts added to the customer base. This snowballing effect will ensure accelerating growth in future revenues.

Accounting policies used

The annual report for Zylinc A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Accounting policies used

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

In case the foreign group enterprises and associated enterprises meet the criteria for being independent units, the profit and loss accounts are translated by using an average exchange rate for the period in question, and the balance sheet items are translated by using the closing rate. Differences arising in connection with the translation of the equity of foreign group enterprises at the beginning of the year to the closing rate are recognised directly in the equity. The same goes for differences arising in connection with translation of the profit and loss accounts from average exchange rate to the closing rate.

At recognition of foreign group enterprises which are integrated units, the monetary items are translated by using the closing rate. Non monetary items are translated by using the exchange rate prevailing at the time of acquisition or at the time of the following depreciation or writedown of the asset. The items of the profit and loss account are translated by using the exchange rate prevailing at the date of the transaction. However, items in the profit and loss account deriving from non monetary items are translated by using historical prices.

Currency adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in the equity. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised in the equity.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, other operating income, and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Contract work in progress concerning construction contracts is recognised concurrently in the net turnover with the progress of the production. Thus the net turnover corresponds to the sales value of the completed productions of the year (the production method). The net turnover is recognised when the total income and costs of the contract and the scope of completion on the balance sheet date can be determined reliably, and when it is likely that the financial benefits will be received by the company.

Accounting policies used

When the results of a contract can not be determined reliably, the net turnover is only recognised on a cost basis, however, to the extent that it is probable that the costs will be recovered.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Dividend from equity investments is recognised in the financial year where the dividend is declared.

Interest and other costs concerning loans for financing the production of intangible and tangible fixed assets and concerning the production period are not recognised in the cost of the fixed asset.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual group enterprises are recognised in the profit and loss account at a proportional share of the group enterprises' results after tax.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

Accounting policies used

The balance sheet

Tangible fixed assets

Other tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life and the residual value of the individual assets:

| | <i>Useful life</i> |
|---|--------------------|
| <i>Other plants, operating assets, fixtures and furniture</i> | <i>3-5 years</i> |

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Accounting policies used

Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from group enterprises expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprises.

Profit or loss in connection with the sale of group enterprises are measured as the difference between the sales amount and the book value of net assets at the time of the sale, inclusive of remaining consolidated goodwill and expected costs for sale and cession. Profit and loss are recognised in the profit and loss account under net financials.

Positive differences (goodwill) between cost and fair value of identifiable, acquired assets and liabilities, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises, and they are amortised over their estimated useful life. The useful life is determined on the basis of the management's experience with the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a long-range earnings potential. The book value of goodwill is evaluated currently and written down in the profit and loss account in those cases where the book value exceeds the expected future net income from the enterprise or the activity, to which the goodwill is attached.

Other securities and equity investments

Securities and equity investments recognised under fixed assets comprise listed bonds and shares which are measured at fair value on the balance sheet date. Listed securities are measured at market price.

Other unlisted securities are measured at cost. Writedown takes place to the recoverable amount, if this value is lower than the book value.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Work in progress for the account of others

Contract work in progress is measured at the selling price of the work performed, however with deduction of invoicing on account and expected losses.

Accounting policies used

The selling price is measured on the basis of the stage of completion on the balance sheet date and the total expected income from the individual contracts. The stage of completion is calculated as the share of costs incurred in proportion to the estimated total costs of the individual contract.

When the sales value of a contract can not be determined reliably, the selling price is measured solely at the costs incurred, or at the net realisable value, if this is lower.

Contracts are recognised as trade debtors if the selling price of the work performed exceeds invoicing on account and expected losses. Contracts are recognised as liabilities if invoicing on account and expected losses exceed the selling price.

Costs in connection with sales work and the achievement of contracts are recognised in the profit and loss account when incurred.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Securities and equity investments

Securities and equity investments recognised as current assets are measured at fair value on the balance sheet date.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserves for net revaluation as per the equity method

Reserves for net revaluation as per the equity method comprise net revaluation of equity investments in subsidiaries and associates in proportion to cost.

The reserves may be eliminated in case of losses, realisation of equity investments or changes in the financial estimates.

It is not possible to recognise the reserves with a negative amount.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting (the time of declaration).

Accounting policies used

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Zylinc A/S is proportionally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

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

Accrued expenses and deferred income

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.

Profit and loss account 1 October - 30 September

All amounts in DKK.

| <u>Note</u> | <u>2017/18</u> | <u>2016/17</u> |
|--|-------------------|-------------------|
| Gross profit | 28.249.863 | 32.321.729 |
| 1 Staff costs | -28.376.205 | -24.782.995 |
| Depreciation and writedown relating to tangible fixed assets | -741.741 | -745.129 |
| Operating profit | -868.083 | 6.793.605 |
| Income from equity investments in group enterprises | 1.602.495 | 2.264.525 |
| Other financial income from group enterprises | 31.115 | 28.780 |
| Other financial income | 834.375 | 248.161 |
| 2 Other financial costs | -443.948 | -87.536 |
| Results before tax | 1.155.954 | 9.247.535 |
| Tax on ordinary results | -58.532 | -1.691.548 |
| Results for the year | 1.097.422 | 7.555.987 |
| Proposed distribution of the results: | | |
| Extraordinary dividend adopted during the financial year | 0 | 4.000.000 |
| Reserves for net revaluation as per the equity method | 983.924 | 1.277.968 |
| Allocated to results brought forward | 113.498 | 2.278.019 |
| Distribution in total | 1.097.422 | 7.555.987 |

Balance sheet 30 September

All amounts in DKK.

| Assets | <u>2018</u> | <u>2017</u> |
|--|--------------------------|--------------------------|
| <u>Note</u> | | |
| Fixed assets | | |
| 3 Other plants, operating assets, and fixtures and furniture | 164.734 | 202.778 |
| Tangible fixed assets in total | <u>164.734</u> | <u>202.778</u> |
| 4 Equity investments in group enterprises | 6.934.107 | 6.132.925 |
| 5 Other debtors | 191.223 | 186.042 |
| Financial fixed assets in total | <u>7.125.330</u> | <u>6.318.967</u> |
| Fixed assets in total | <u>7.290.064</u> | <u>6.521.745</u> |
| Current assets | | |
| Trade debtors | 14.417.814 | 9.293.173 |
| Work in progress for the account of others | 10.050 | 0 |
| Amounts owed by group enterprises | 993.131 | 8.046.034 |
| Deferred tax assets | 49.000 | 67.800 |
| Other debtors | 26.317 | 1.087 |
| Accrued income and deferred expenses | 502.614 | 614.760 |
| Debtors in total | <u>15.998.926</u> | <u>18.022.854</u> |
| Other securities and equity investments | 1.834.375 | 0 |
| Securities in total | <u>1.834.375</u> | <u>0</u> |
| Available funds | <u>8.599.904</u> | <u>9.709.277</u> |
| Current assets in total | <u>26.433.205</u> | <u>27.732.131</u> |
| Assets in total | <u>33.723.269</u> | <u>34.253.876</u> |

Balance sheet 30 September

All amounts in DKK.

| Equity and liabilities | 2018 | 2017 |
|---|--------------------------|--------------------------|
| Note | <u>2018</u> | <u>2017</u> |
| Equity | | |
| 6 Contributed capital | 1.000.000 | 1.000.000 |
| 7 Reserves for net revaluation as per the equity method | 2.054.760 | 1.253.578 |
| 8 Results brought forward | 24.999.296 | 24.885.798 |
| Equity in total | <u>28.054.056</u> | <u>27.139.376</u> |
| Liabilities | | |
| Trade creditors | 835.298 | 1.184.359 |
| Corporate tax | 0 | 1.666.148 |
| Tax payables to group enterprises | 39.732 | 0 |
| Other debts | 4.294.183 | 3.763.993 |
| Accrued expenses and deferred income | 500.000 | 500.000 |
| Short-term liabilities in total | <u>5.669.213</u> | <u>7.114.500</u> |
| Liabilities in total | <u>5.669.213</u> | <u>7.114.500</u> |
| Equity and liabilities in total | <u>33.723.269</u> | <u>34.253.876</u> |

10 Mortgage and securities**11 Contingencies**

Notes

All amounts in DKK.

| | <u>2017/18</u> | <u>2016/17</u> |
|--|--------------------------|--------------------------|
| 1. Staff costs | | |
| Salaries and wages | 24.871.741 | 21.565.947 |
| Pension costs | 2.058.376 | 1.801.231 |
| Other costs for social security | 99.409 | 88.805 |
| Other staff costs | <u>1.346.679</u> | <u>1.327.012</u> |
| | <u>28.376.205</u> | <u>24.782.995</u> |
| | | |
| Average number of employees | <u>44</u> | <u>37</u> |
| | | |
| 2. Other financial costs | | |
| Other financial costs | <u>443.948</u> | <u>87.536</u> |
| | <u>443.948</u> | <u>87.536</u> |
| | | |
| | <u>30/9 2018</u> | <u>30/9 2017</u> |
| | | |
| 3. Other plants, operating assets, and fixtures and furniture | | |
| Cost opening balance | 1.476.996 | 1.313.475 |
| Additions during the year | <u>85.125</u> | <u>163.521</u> |
| Cost closing balance | <u>1.562.121</u> | <u>1.476.996</u> |
| | | |
| Depreciation and writedown opening balance | -1.274.217 | -1.147.660 |
| Depreciation and writedown for the year | <u>-123.170</u> | <u>-126.558</u> |
| Depreciation and writedown closing balance | <u>-1.397.387</u> | <u>-1.274.218</u> |
| | | |
| Book value closing balance | <u>164.734</u> | <u>202.778</u> |

Notes

All amounts in DKK.

| | 30/9 2018 | 30/9 2017 |
|---|-------------------|---------------------------|
| 4. Equity investments in group enterprises | | |
| Acquisition sum opening balance | 4.859.189 | 4.879.349 |
| Translation by use of the exchange rate valid on balance sheet date | -323.190 | -20.160 |
| Cost closing balance | 4.535.999 | 4.859.189 |
| Revaluations opening balance | 3.284.092 | 1.023.797 |
| Adjustment of previous revaluations | 55.862 | 0 |
| Translation by use of the exchange rate valid on balance sheet date | 84.586 | -4.230 |
| Results for the year before goodwill amortisation | 1.602.495 | 2.264.525 |
| Revaluation closing balance | 5.027.035 | 3.284.092 |
| Amortisation of goodwill, opening balance opening balance | -2.010.356 | -1.391.785 |
| Amortisation of goodwill for the year | -618.571 | -618.571 |
| Depreciation on goodwill closing balance | -2.628.927 | -2.010.356 |
| Book value closing balance | 6.934.107 | 6.132.925 |
| The items include goodwill with an amount of | 1.505.001 | 2.198.498 |
| Group enterprises: | | |
| | Domicile | Share of ownership |
| Zylinc AB | Sweden | 100 % |
| 5. Other debtors | | |
| Cost opening balance | 191.223 | 186.042 |
| Cost closing balance | 191.223 | 186.042 |
| Book value closing balance | 191.223 | 186.042 |
| Deposits | 191.223 | 186.042 |
| | 191.223 | 186.042 |

Notes

All amounts in DKK.

| | <u>30/9 2018</u> | <u>30/9 2017</u> |
|---|--------------------------|--------------------------|
| 6. Contributed capital | | |
| Contributed capital opening balance | 1.000.000 | 1.000.000 |
| | <u>1.000.000</u> | <u>1.000.000</u> |
| 7. Reserves for net revaluation as per the equity method | | |
| Reserves for net revaluation opening balance | 1.253.578 | 0 |
| Share of results | 983.924 | 1.277.968 |
| Exchange rate adjustments | -182.742 | -24.390 |
| | <u>2.054.760</u> | <u>1.253.578</u> |
| 8. Results brought forward | | |
| Results brought forward opening balance | 24.885.798 | 22.607.779 |
| Profit or loss for the year brought forward | 113.498 | 2.278.019 |
| | <u>24.999.296</u> | <u>24.885.798</u> |
| 9. Proposed dividend for the financial year | | |
| Adjustment at the beginning of the year | 0 | 4.000.000 |
| Distributed dividend | 0 | -4.000.000 |
| | <u>0</u> | <u>0</u> |
| 10. Mortgage and securities | | |
| No mortgage and securities. | | |
| 11. Contingencies | | |
| Contingent liabilities | | |
| Contigent liabilities | | |
| The company has entered into a leasing contract with an average annual payment of TDKK 809. Termination period is 6 months. | | |

Notes

All amounts in DKK.

11. Contingencies (continued)

Joint taxation

Viborg Holding ApS being the administration company, the company is subject to the Danish scheme of joint taxation and it is proportionally liable for tax claims within the joint taxation scheme.

The company is proportionally liable for any obligation to withhold tax on interest, royalties and dividends of the jointly taxed companies.

The liabilities amount to a maximum corresponding to that share of the company capital, which is owned directly or indirectly by the ultimate parent company.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.