

# Teklatech A/S

Prinsesse Maries Allé 17, 5., 1908 Frederiksberg C

CVR no. 29 53 29 82

## Annual report 2017

Approved at the Company's annual general meeting on 27 June 2018

Chairman:

.....  
Thomas Villum Børsting





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## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Teklatech A/S for the financial year 1 January - 31 December 2017.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 27 June 2018  
Executive Board:

.....  
Tobias Bjerregaard

Board of Directors:

.....  
Thomas Villum Børsting  
Chairman

.....  
Finn Persson

.....  
Jesper Nørregaard

.....  
Tobias Bjerregaard

.....  
Ulrik Christian Laurits  
Danneskiold-Samsøe

## Independent auditor's report

To the shareholders of Teklatech A/S

### Opinion

We have audited the financial statements of Teklatech A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

### Basis for opinion

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

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### Material uncertainty related to going concern

We wish to draw attention to note 2 to the financial statements, which shows that the Company recorded a loss of DKK 20,026 thousand in the financial year ended 31 December 2017. Presently, there is material uncertainty concerning the renewal of customer contracts in 2018, and therefore, the going concern is based on Management's ability either to develop new significant customers or to sell the Company's development projects.

This indicates a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. We have not modified our opinion in respect of this matter.

### Management's responsibilities for the financial statements

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

## Independent auditor's report

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the Management's review

Management is responsible for the Management's review.

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

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

Moreover, 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 conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 27 June 2018  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Anders Flymer-Dindler  
State Authorised Public Accountant  
MNE no.: mne35423



## Management's review

### Company details

Name	Teklotech A/S
Address, Postal code, City	Prinsesse Maries Allé 17, 5., 1908 Frederiksberg C
CVR no.	29 53 29 82
Established	3 May 2006
Registered office	Frederiksberg
Financial year	1 January - 31 December
Website	<a href="http://www.teklotech.com">www.teklotech.com</a>
E-mail	<a href="mailto:mainline@teklotech.com">mainline@teklotech.com</a>
Telephone	+45 72 19 00 85
Board of Directors	Thomas Villum Børsting, Chairman Finn Persson Jesper Nørregaard Tobias Bjerregaard Ulrik Christian Laurits Danneskiold-Samsøe
Executive Board	Tobias Bjerregaard
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

## Management's review

### Business review

The principal activity of the Company is to develop and sell CAD software solutions to the semiconductor industry. The technology of the Company allows for faster design closure of digital ICs, by enabling a reduction of power noise and dynamic voltage drop, and improvement of timing. This leads to considerable advantages in terms of design closure at the most advanced semiconductor process nodes of 10nm, 7nm and beyond, and economic benefits for users.

Semiconductor technologies continually progress towards more advanced technology nodes with critical issues embedded that Teklatech's core product FloorDirector addresses. The pressure is particularly high in the mobile and networking segments, subsegments of the semiconductor industry with high growth rate.

Significant improvements to the FloorDirector software platform have been made during 2017 and new features have been added. This includes compatibility updates to support the leading design flows, improvements to the advanced algorithms for automated optimization and a new product, TimingOptimizer, on the main software platform. The TimingOptimizer product for timing optimization is expected to broaden Teklatech's customer base.

As in the previous year, our US subsidiary company Teklatech LLC has provided technical support to US customers on behalf of Teklatech A/S.

### Recognition and measurement uncertainties

The measurement of intangible assets and deferred tax assets is based on expectations of future earnings, which are always subject to uncertainty.

### Financial review

In 2017, the Company's revenue amounted to DKK 6,358 thousand against DKK 5,667 thousand last year. The income statement for 2017 shows a loss of DKK 20,076 thousand against a loss of DKK 10,271 thousand last year, and the balance sheet at 31 December 2017 shows equity of DKK 8,582 thousand.

After the balance sheet date, material uncertainty concerning the renewal of customer contracts in 2018 has occurred, and therefore, the going concern is based on Management's ability either to develop new customers or to sell the Company's development projects, the value of which the Company has received an indication. Accordingly, there is material uncertainty that may cast doubt on the entity's ability to continue as a going concern.

It is Management's expectations that if no new significant customer contracts are entered during 2018, a sale of the development projects is needed to ensure adequate liquidity so the Company can meet its liabilities. Management considers a sale on the development projects realistic.

Based on this, the financial statements for 2017 have been prepared on a going concern assumption.

### Events after the balance sheet date

Except for the events described under financial review, no other events have occurred after the balance sheet date that impacts the Company's financial position at 31 December 2017.

## Financial statements 1 January - 31 December

### Income statement

Note	DKK'000	2017	2016
	<b>Revenue</b>	6,358	5,667
	Other operating income	1,200	1,160
	Other external expenses	-3,859	-5,515
	<b>Gross margin</b>	3,699	1,312
4	Staff costs	-4,513	-4,183
	Amortisation of intangible assets	-17,351	-9,687
	<b>Profit/loss before net financials</b>	-18,165	-12,558
	Financial income	0	7
	Financial expenses	-672	-614
	<b>Profit/loss before tax</b>	-18,837	-13,165
	Tax for the year	-1,239	2,894
	<b>Profit/loss for the year</b>	-20,076	-10,271
	<b>Recommended appropriation of profit/loss</b>		
	Reserve for development costs	-2,047	2,047
	Retained earnings/accumulated loss	-18,029	-12,318
		-20,076	-10,271



## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2017	2016
	<b>ASSETS</b>		
	Fixed assets		
5	Intangible assets		
	Completed development projects	15,519	29,571
		<u>15,519</u>	<u>29,571</u>
6	Investments		
	Deposits, investments	100	100
		<u>100</u>	<u>100</u>
	<b>Total fixed assets</b>	<u>15,619</u>	<u>29,671</u>
	<b>Non-fixed assets</b>		
	Receivables		
7	Deferred tax assets	0	1,965
	Receivable tax credit	726	563
	Other receivables	54	697
	Prepayments	94	31
		<u>874</u>	<u>3,256</u>
	<b>Cash</b>	<u>3,916</u>	<u>2,324</u>
	<b>Total non-fixed assets</b>	<u>4,790</u>	<u>5,580</u>
	<b>TOTAL ASSETS</b>	<u><u>20,409</u></u>	<u><u>35,251</u></u>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2017	2016
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
8	Share capital	21,740	18,492
	Reserve for development costs	0	2,047
	Retained earnings	-13,158	324
	<b>Total equity</b>	<b>8,582</b>	<b>20,863</b>
	<b>Liabilities other than provisions</b>		
	<b>Non-current liabilities other than provisions</b>		
	Payables to shareholders	4,979	4,979
	Deferred income	3,487	4,203
		<b>8,466</b>	<b>9,182</b>
	<b>Current liabilities other than provisions</b>		
	Bank debt	34	0
	Prepayments received from customers	1,120	2,260
	Trade payables	158	600
	Payables to group enterprises	0	38
	Payables to shareholders and management	0	628
	Other payables	665	480
	Deferred income	1,384	1,200
		<b>3,361</b>	<b>5,206</b>
	<b>Total liabilities other than provisions</b>	<b>11,827</b>	<b>14,388</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>20,409</b>	<b>35,251</b>

- 1 Accounting policies
- 2 Material going concern uncertainties
- 3 Special items
- 9 Contractual obligations and contingencies, etc.

## Financial statements 1 January - 31 December

### Statement of changes in equity

DKK'000	Share capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2017	18,492	2,047	324	20,863
Capital increase	3,248	0	4,547	7,795
Transfer through appropriation of loss	0	-2,047	-18,029	-20,076
<b>Equity at 31 December 2017</b>	<b>21,740</b>	<b>0</b>	<b>-13,158</b>	<b>8,582</b>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Teklatech A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Income statement

##### Revenue

Income from the rendering of consultancy services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

Licence and royalty income is recognised over the term of the agreement in accordance with the contents of the agreement.

Revenue from time limited software licences is accrued and recognised on a straight line basis over the term of the licence according to the terms of the licence agreement.

Sale of indefinite software licences is recognised as sale of goods whereby revenue is recognised when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

##### Other operating income

Other operating income comprises EU grants recognised in the income statement.

##### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

##### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

##### Amortisation and impairment

The item comprises amortisation and impairment of intangible assets.

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	5 years
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## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

The residual value is determined at the time of acquisition and is reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

#### Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

#### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

#### Balance sheet

##### Intangible assets

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 5 years.

##### Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost. Dividends received that exceed the accumulated earnings in the subsidiary or the associate during the period of ownership are treated as a reduction in the cost of acquisition.

##### Other securities and investments

Securities and investments consisting of listed shares and bonds are measured at fair value (market price) at the balance sheet date. Investments not admitted to trading on an active market are measured at cost.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Impairment of fixed assets

The carrying amount of intangible assets and investments in subsidiaries is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

##### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

##### Cash

Cash comprises cash in bank.

##### Equity

###### *Reserve for development costs*

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

##### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value, which is typically the nominal value.

##### Deferred income

Deferred income recognised as a liability comprises EU grants recognised through the gross method. EU grants are recognised in the income statement corresponding the amortisation period of the underlying intangible asset.

#### 2 Material going concern uncertainties

The Company recorded a loss of DKK 20,026 thousand in the financial year ended 31 December 2017. In 2018, uncertainty has occurred concerning the renewal of customer contracts, and therefore, the going concern is based on Management's ability either to develop new significant customers or to sell the Company's development projects.

The Company has received only an indication of the value of its development projects. Accordingly, there is material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

It is Management's expectations, however, that if no new significant customer contracts are entered into during 2018, a sale of the development projects is sufficient to ensure adequate liquidity so the Company can meet its liabilities. Management considers a sale of the development projects at book value at 31 December 2017 realistic.

Based on this, the financial statements for 2017 have been prepared on a going concern assumption.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 3 Special items

Special items for the year are specified below just as are the items under which they are recognised in the income statement.

DKK'000	<u>2017</u>	<u>2016</u>
<b>Expenses</b>		
Impairment loss on development projects	-7,605	0
	<u>-7,605</u>	<u>0</u>
<b>Special items are recognised in the below items of the financial statements</b>		
Impairment loss on development projects	-7,605	0
<b>Net profit/loss on special items</b>	<u>-7,605</u>	<u>0</u>

#### 4 Staff costs

Wages/salaries	6,731	5,994
Pensions	424	378
Other social security costs	61	51
Staff costs transferred to development projects	-2,703	-2,240
	<u>4,513</u>	<u>4,183</u>
Average number of full-time employees	<u>10</u>	<u>9</u>

#### 5 Intangible assets

DKK'000	<u>Completed development projects</u>
Cost at 1 January 2017	45,013
Additions	3,299
Cost at 31 December 2017	<u>48,312</u>
Impairment losses and amortisation at 1 January 2017	15,442
Impairment losses for the year	7,605
Amortisation for the year	9,746
Impairment losses and amortisation at 31 December 2017	<u>32,793</u>
<b>Carrying amount at 31 December 2017</b>	<u>15,519</u>
Amortised over	<u>5 years</u>

Development projects relate to the development of Teklatech's core product. The measurement of intangible assets is based on expectations of future cash flow from the assets, either through normal operations or from a sale of the completed development projects.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 6 Investments

Name	Legal form	Domicile	Interest	Profit/loss DKK'000
<b>Subsidiaries</b>				
Teklatech	LLC	USA	100.00%	0

#### 7 Deferred tax assets

The Company has an unrecognised deferred tax asset with a book value of DKK 5,382 thousand. The deferred tax asset has not been recognised due to uncertainty as to when it can be utilised.

#### 8 Share capital

Analysis of changes in the share capital over the past 5 years:

DKK'000	2017	2016	2015	2014	2013
Opening balance	18,492	18,025	10,790	7,490	3,665
Capital increase	3,248	467	7,235	3,300	3,825
	21,740	18,492	18,025	10,790	7,490

#### 9 Contractual obligations and contingencies, etc.

##### Other financial obligations

Other rent and lease liabilities:

DKK'000	2017	2016
Rent and lease liabilities	113	133