Interoute Managed Services Denmark A/S

Niels Juels Gade 5, 3, DK-1059 København K

Annual Report for 1 January - 31 December 2018

CVR No 29 61 97 78

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 15/7 2019

Christopher Turing Mckee
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Interoute Managed Services Denmark A/S for the financial year 1 January - 31 December 2018.

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 at 31 December 2018 of the Company and of the results of the Company operations for 2018.

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

Copenhagen, 15 July 2019

Executive Board

Christopher Turing Mckee

Board of Directors

Jessica Anne Kamen Chairman	Christopher Turing Mckee	Michael Thomas Sicoli

Independent Auditor's Report

To the Shareholder of Interoute Managed Services Denmark A/S

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

We have audited the Financial Statements of Interoute Managed Services Denmark A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 about 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 these 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

Independent Auditor's Report

audit. We also:

- 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 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.

Copenhagen, 15 July 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Anders Røjleskov
State Authorised Public Accountant
mne28699

Company Information

The Company	Interoute Managed Services Denmark A/S Niels Juels Gade 5, 3 DK-1059 København K CVR No: 29 61 97 78 Financial period: 1 January - 31 December Incorporated: 12 June 2006 Municipality of reg. office: København
Board of Directors	Jessica Anne Kamen, Chairman Christopher Turing Mckee Michael Thomas Sicoli
Executive Board	Christopher Turing Mckee
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Income Statement 1 January - 31 December

	Note	2018	2017
		EUR	EUR
Gross profit/loss		**2.156.023**	**2.374.571**
Staff expenses	3	-2.003.128	-1.894.107
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-236.701	-272.390
Profit/loss before financial income and expenses		**-83.806**	**208.074**
Financial income	4	56.141	39.839
Financial expenses		-5.405	-61.758
Profit/loss before tax		**-33.070**	**186.155**
Tax on profit/loss for the year	5	44.325	-6.463
Net profit/loss for the year		**11.255**	**179.692**

Distribution of profit

Proposed distribution of profit

Retained earnings	11.255	179.692
	11.255	**179.692**

Balance Sheet 31 December

Assets

	Note	2018	2017
		EUR	EUR
Goodwill		47.883	143.648
Intangible assets	6	**47.883**	**143.648**
Other fixtures and fittings, tools and equipment		277.812	290.801
Property, plant and equipment	7	**277.812**	**290.801**
Deposits		56.285	55.989
Fixed asset investments		**56.285**	**55.989**
Fixed assets		**381.980**	**490.438**
Inventories		**0**	**282.304**
Trade receivables		1.410.122	3.075.754
Receivables from group enterprises		1.882.071	1.549.938
Other receivables		115.478	49.812
Prepayments		2.901	165.100
Receivables		**3.410.572**	**4.840.604**
Cash at bank and in hand		**27.224**	**266.473**
Currents assets		**3.437.796**	**5.389.381**
Assets		**3.819.776**	**5.879.819**

Balance Sheet 31 December

Liabilities and equity

	Note	2018	2017
		EUR	EUR
Share capital		67.160	67.160
Retained earnings		-2.397.844	-2.412.568
Equity		**-2.330.684**	**-2.345.408**
Other provisions		402.960	402.960
Provisions		**402.960**	**402.960**
Prepayments received from customers		298.175	270.083
Long-term debt	8	**298.175**	**270.083**
Prepayments received from customers	8	179.232	1.936.693
Trade payables		549.682	472.816
Payables to group enterprises		4.253.269	4.488.948
Corporation tax		8.272	6.463
Other payables		458.870	647.264
Short-term debt		**5.449.325**	**7.552.184**
Debt		**5.747.500**	**7.822.267**
Liabilities and equity		**3.819.776**	**5.879.819**

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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	EUR	EUR	EUR
Equity at 1 January	67.160	-2.412.568	-2.345.408
Exchange adjustments	0	3.469	3.469
Net profit/loss for the year	0	11.255	11.255
Equity at 31 December	**67.160**	**-2.397.844**	**-2.330.684**

Notes to the Financial Statements

1 Going concern

The Company has a negative equity. The Company has received a Letter of Support and Subordination from its ultimate parent GTT Communications Inc. insuring the required funding of its future operation up to 31 December 2020. Furthermore, Group companies will subordinate their receivables in favour of other creditors of the Company.

Management has on this basis prepared the Financial Statements on a going concern basis.

2 Key activities

The object of the Company is to provide consultancy on and deliver solutions based on Internet technology as well as related activities.

	2018	2017
	EUR	EUR

3 Staff expenses

	2018	2017
Wages and salaries	1.875.643	1.754.519
Pensions	24.176	24.172
Other staff expenses	103.309	115.416
	2.003.128	**1.894.107**
Average number of employees	**16**	**14**

4 Financial income

	2018	2017
Interest received from group enterprises	47.855	39.825
Exchange adjustments, income	8.286	14
	56.141	**39.839**

5 Tax on profit/loss for the year

	2018	2017
Current tax for the year	8.272	6.463
Adjustment of current tax concerning previous years	-48.798	0
Adjustment of deferred tax concerning previous years	-3.799	0
	-44.325	**6.463**

Notes to the Financial Statements

6 Intangible assets

	Goodwill
	EUR
Cost at 1 January	478.911
Cost at 31 December	478.911
Impairment losses and amortisation at 1 January	335.263
Amortisation for the year	95.765
Impairment losses and amortisation at 31 December	431.028
Carrying amount at 31 December	**47.883**
Amortised over	5 years

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	EUR
Cost at 1 January	763.151
Additions for the year	128.416
Disposals for the year	-31.403
Cost at 31 December	860.164
Impairment losses and depreciation at 1 January	472.618
Depreciation for the year	113.298
Reversal of impairment and depreciation of sold assets	-3.564
Impairment losses and depreciation at 31 December	582.352
Carrying amount at 31 December	**277.812**
Depreciated over	3-5 years

Notes to the Financial Statements

8 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2018	2017
	EUR	EUR
Prepayments received from customers		
Between 1 and 5 years	298.175	270.083
Long-term part	298.175	270.083
Within 1 year	179.232	1.936.693
	477.407	**2.206.776**

9 Contingent assets, liabilities and other financial obligations

Rental and lease obligations	71.731	119.633

A transfer pricing audit of the Danish joint taxation for the years 2011 - 2014 has been performed by the Danish tax authorities (DTA). In end June 2017, the DTA has has issued a ruling stating that the Company's transfer pricing documentation is not compliant with Danish requirements. Further, the DTA have increased the Danish joint taxation income for the years 2011 to 2014.

The Company does not agree with the assessment made by the DTA and plan to file a complaint for the Appellate Body (Landsskatteretten) and at the same time ask for a MAP (Mutual Agreement Procedure) between Denmark and UK. However, due to the litigation risk and probably considerable time frame before the matter is settled, the Company has recognised a provision of DKK 3 million (EUR 402.960) to cover penalties and additional tax due to the income adjustments. Based on the ruling from the DTA, the total exposure for the Danish joint taxation is estimated to DKK 8-9 million before addition of interest.

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income.

Notes to the Financial Statements

10 Related parties

Consolidated Financial Statements

The Company is included in the Group Annual Report of the ultimate Parent Company :

Name	Place of registered office
GTT Communications Inc.	United States of America

The Group Annual Report of GTT Communications Inc. may be obtained at the following address:

GTT Communications Inc.
7900 Tysons One Place
Suite 1450
McLean, VA 22102
United States of America

11 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

12 Accounting Policies

The Annual Report of Interoute Managed Services Denmark A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Financial Statements for 2018 are presented in EUR.

Changes in accounting policies

In connection with preparation of the Financial Statements for 2018, Management has decided to present the Annual Report in EUR. Comparative figures are recalculated from DKK to EUR with an exchange rate of 744,49. Otherwise, the accounting policies applied remain unchanged.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt

Notes to the Financial Statements

12 Accounting Policies (continued)

arose are recognised in financial income and expenses in the income statement.

Income Statement

Revenue

Revenue is recognised in the income statement when delivery and transfer of risk has been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Delivery of WAN-circuit is divided in the two stages, design and advice, and project management and installation. Delivery of WAN-circuit's regarding installations and stage design and advice are recognised in the income statement over the estimated contract lenght.

Revenue from subscriptions is allocated over the subscriptions duration.

Cost of sales

Cost of sales comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, cost of sales and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangibles assets and property, plant and equipment.

Notes to the Financial Statements

12 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group entities. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Notes to the Financial Statements

12 Accounting Policies (continued)

Fixed asset investments

Fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning comming years.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Prepayments received from customers

Prepayments received consist of payments from customers relating to income in subsequent years.