
Interoute Managed Services Denmark A/S

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

Annual Report for 1 January - 31 December 2017

CVR No 29 61 97 78

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
12/7 2018

Christopher Turing Mckee
Chairman of the General
Meeting



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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 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 at 31 December 2017 of the Company and of the results of the Company operations for 2017.

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

Copenhagen, 12 July 2018

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 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.

We have audited the Financial Statements of Interoute Managed Services Denmark A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet 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, 12 July 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Claus Damhave
State Authorised Public Accountant
mne34166

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	2017 TDKK	2016 TDKK
Gross profit/loss		17.677	16.077
Staff expenses	3	-14.102	-14.239
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-2.027	-1.626
Profit/loss before financial income and expenses		1.548	212
Financial income	4	297	220
Financial expenses		-459	-455
Profit/loss before tax		1.386	-23
Tax on profit/loss for the year	5	-48	-3.000
Net profit/loss for the year		1.338	-3.023

Distribution of profit

Proposed distribution of profit

Retained earnings		1.338	-3.023
		1.338	-3.023

Balance Sheet 31 December

Assets

	Note	2017 TDKK	2016 TDKK
Goodwill		1.069	1.782
Intangible assets	6	1.069	1.782
Other fixtures and fittings, tools and equipment		2.164	2.334
Property, plant and equipment	7	2.164	2.334
Deposits		417	409
Fixed asset investments		417	409
Fixed assets		3.650	4.525
Inventories		2.101	1.696
Trade receivables		22.900	19.976
Receivables from group enterprises		11.539	16.550
Other receivables		371	62
Prepayments		1.230	1.024
Receivables		36.040	37.612
Cash at bank and in hand		1.984	2.039
Currents assets		40.125	41.347
Assets		43.775	45.872

Balance Sheet 31 December

Liabilities and equity

	Note	2017 TDKK	2016 TDKK
Share capital		500	500
Retained earnings		-17.962	-19.300
Equity	8	-17.462	-18.800
Other provisions		3.000	3.000
Provisions		3.000	3.000
Prepayments received from customers		2.011	2.565
Long-term debt	9	2.011	2.565
Prepayments received from customers	9	14.419	13.044
Trade payables		3.520	2.295
Payables to group enterprises		33.420	36.746
Corporation tax		48	0
Other payables		4.819	7.022
Short-term debt		56.226	59.107
Debt		58.237	61.672
Liabilities and equity		43.775	45.872
Going concern	1		
Main activity	2		
Contingent assets, liabilities and other financial obligations	10		
Related parties	11		
Subsequent events	12		
Accounting Policies	13		

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 parent Interoute Communications Ltd. insuring the required funding of its future operation up to 31 May 2019. Furthermore, the Parent Company 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 Main activity

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

3 Staff expenses

	<u>2017</u> TDKK	<u>2016</u> TDKK
Wages and salaries	13.062	13.202
Pensions	180	212
Other staff expenses	<u>860</u>	<u>825</u>
	<u>14.102</u>	<u>14.239</u>
Average number of employees	<u>14</u>	<u>14</u>

4 Financial income

Interest received from group enterprises	<u>297</u>	<u>220</u>
	<u>297</u>	<u>220</u>

5 Tax on profit/loss for the year

Current tax for the year	48	0
Tax provision regarding transfer pricing case	<u>0</u>	<u>3.000</u>
	<u>48</u>	<u>3.000</u>

Notes to the Financial Statements

6 Intangible assets

	Goodwill TDKK
Cost at 1 January	3.565
Cost at 31 December	3.565
Impairment losses and amortisation at 1 January	1.783
Amortisation for the year	713
Impairment losses and amortisation at 31 December	2.496
Carrying amount at 31 December	1.069
Amortised over	5 years

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK
Cost at 1 January	4.538
Additions for the year	1.144
Cost at 31 December	5.682
Impairment losses and depreciation at 1 January	2.204
Depreciation for the year	1.314
Impairment losses and depreciation at 31 December	3.518
Carrying amount at 31 December	2.164
Depreciated over	3-5 years

Notes to the Financial Statements

8 Equity

	Share capital TDKK	Retained earnings TDKK	Total TDKK
Equity at 1 January	500	-19.300	-18.800
Net profit/loss for the year	0	1.338	1.338
Equity at 31 December	500	-17.962	-17.462

9 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:

	2017 TDKK	2016 TDKK
Prepayments received from customers		
Between 1 and 5 years	2.011	2.565
Long-term part	2.011	2.565
Within 1 year	14.419	13.045
Other prepayments from customers	0	-1
Short-term part	14.419	13.044
	16.430	15.609

Notes to the Financial Statements

	<u>2017</u> TDKK	<u>2016</u> TDKK
10 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations, period of non-terminability 10 months	891	1.935

Other contingent liabilities

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 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 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

11 Related parties

Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
Interoute Communications Ltd.	United Kingdom

The Group Annual Report of Interoute Communications Ltd. may be obtained at the following address:

Interoute Communications Ltd.
31st Floor, 25 Canada Square
Canary Wharf
London, E14 5LQ
United Kingdom

12 Subsequent events

On 31 may 2018, GTT Americas LLC, as purchaser and GTT Communications, Inc (GTT) as guarantor completed the acquisition of all the shares of Interoute Communications Holdings S.A. (the parent company of the Interoute Group) for consideration of approximately EUR 1.9 billion in cash. GTT's stock is currently traded on the New York Stock Exchange (NYSE).

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

Notes to the Financial Statements

13 Accounting Policies

The Annual Report of Interoute Managed Services Denmark A/S for 2017 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 accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in TDKK.

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

Notes to the Financial Statements

13 Accounting Policies (continued)

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 length.

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, revenue has not been disclosed in the Annual Report.

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.

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.

Notes to the Financial Statements

13 Accounting Policies (continued)

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
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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.

Fixed asset investments

Fixed asset investments consist of deposits.

Notes to the Financial Statements

13 Accounting Policies (continued)

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 coming 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.