
Interoute Managed Services Denmark A/S

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

Annual Report for 1 January - 31 December 2020

CVR No 29 61 97 78

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
20/7 2021

Donna Granato
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 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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

Copenhagen, 20 July 2021

Executive Board

Donna Marie Granato
CEO

Board of Directors

John Paul Monterio
Chairman

Donald Peter MacNeil

Donna Marie Granato

Independent Auditor's Report

To the Shareholder of Interoute Managed Services Denmark A/S

Qualified Opinion

In our opinion, excepting the potential effects of the matter described in the Basis for qualified opinion paragraph, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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 2020, 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 Qualified Opinion

At year-end 2020, the Company has a receivable from a group enterprise of EUR 4.8 million. We have not been able to obtain sufficient and suitable audit evidence for the recoverability of the receivable, as the financial situation of the counterpart is uncertain. Consequently, we are not able to determine whether any changes to the value of this receivable is necessary.

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 qualified 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

Independent Auditor's Report

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 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.

Independent Auditor's Report

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, 20 July 2021

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

John Paul Monterio, Chairman
Donald Peter MacNeil
Donna Marie Granato

Executive Board

Donna Marie Granato

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Income Statement 1 January - 31 December

	Note	2020 EUR	2019 EUR
Gross profit/loss		6,374,085	3,038,296
Staff expenses	3	-4,324,435	-3,188,653
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-216,380	-206,809
Profit/loss before financial income and expenses		1,833,270	-357,166
Financial income	4	153	230,956
Financial expenses	5	-128,684	-33,831
Profit/loss before tax		1,704,739	-160,041
Tax on profit/loss for the year	6	-293,810	0
Net profit/loss for the year		1,410,929	-160,041

Distribution of profit

Proposed distribution of profit

Retained earnings	1,410,929	-160,041
	1,410,929	-160,041

Balance Sheet 31 December

Assets

	Note	2020 EUR	2019 EUR
Other fixtures and fittings, tools and equipment		442,464	472,875
Property, plant and equipment	7	442,464	472,875
Investments in subsidiaries	8	5,370	0
Deposits		62,572	61,526
Fixed asset investments		67,942	61,526
Fixed assets		510,406	534,401
Trade receivables		3,137,321	5,836,463
Receivables from group enterprises		4,920,017	1,225,283
Other receivables		71,470	40,462
Prepayments		79,671	53,701
Receivables		8,208,479	7,155,909
Cash at bank and in hand		343,613	121,303
Currents assets		8,552,092	7,277,212
Assets		9,062,498	7,811,613

Balance Sheet 31 December

Liabilities and equity

	Note	2020 EUR	2019 EUR
Share capital		67,160	67,160
Retained earnings		-1,146,956	-2,557,885
Equity		-1,079,796	-2,490,725
Other provisions	10	402,960	402,960
Provisions		402,960	402,960
Prepayments received from customers		57,254	201,559
Other payables		242,950	117,802
Long-term debt	9	300,204	319,361
Prepayments received from customers	9	1,972,936	1,926,180
Trade payables		405,644	210,833
Payables to group enterprises		5,892,629	6,499,316
Corporation tax		293,810	0
Other payables	9	874,111	943,688
Short-term debt		9,439,130	9,580,017
Debt		9,739,334	9,899,378
Liabilities and equity		9,062,498	7,811,613
Uncertainty regarding recoverability of receivable from a group enterprise and going concern	1		
Key activities	2		
Contingent assets, liabilities and other financial obligations	10		
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Statement of Changes in Equity

	<u>Share capital</u> EUR	<u>Retained earnings</u> EUR	<u>Total</u> EUR
Equity at 1 January	67,160	-2,557,885	-2,490,725
Net profit/loss for the year	0	1,410,929	1,410,929
Equity at 31 December	67,160	-1,146,956	-1,079,796

Notes to the Financial Statements

1 Uncertainty regarding recoverability of receivable from a group enterprise and going concern

The Company has lost more than 50% of the share capital. Therefore, the Company is subject to section 119 of the Danish Companies Act. The shareholders expect the share capital to be restored through the Company's ordinary operations and if necessary, capital increase.

Furthermore, the Company has at year-end a receivable from a group enterprise of EUR 4.8 million (the "Debtor"). It is the opinion of Management, that the receivable is recoverable, but it has not been possible to provide audit evidence of the matter.

As a consequence, Management has received a letter of subordination in respect of the payable to another group enterprise (the "Creditor") of EUR 5.3 million. The Creditor has confirmed not to call payment on the intercompany payable unless the above-mentioned receivable has been settled. In addition, the Creditor will subordinate receivables from the Company in favor of other creditors should the Company not be able to collect its receivable from the Debtor.

The letter of subordination is valid for a period of 12 months from the date of this Annual Report.

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.

3 Staff expenses

	<u>2020</u> EUR	<u>2019</u> EUR
Wages and salaries	4,175,637	3,038,974
Pensions	25,195	37,983
Other social security expenses	4,899	4,215
Other staff expenses	<u>118,704</u>	<u>107,481</u>
	<u>4,324,435</u>	<u>3,188,653</u>
Average number of employees	<u>21</u>	<u>20</u>

Notes to the Financial Statements

	2020 EUR	2019 EUR
4 Financial income		
Interest received from group enterprises	0	2,919
Other financial income	153	0
Exchange adjustments, income	0	228,037
	153	230,956
5 Financial expenses		
Interest paid to group enterprises	33,645	6,152
Other financial expenses	3,970	27,679
Exchange adjustments, expenses	91,069	0
	128,684	33,831
6 Tax on profit/loss for the year		
Current tax for the year	293,810	0
	293,810	0
7 Property, plant and equipment		Other fixtures and fittings, tools and equipment
		EUR
Cost at 1 January		1,214,151
Additions for the year		185,970
Cost at 31 December		1,400,121
Impairment losses and depreciation at 1 January		741,276
Depreciation for the year		216,381
Impairment losses and depreciation at 31 December		957,657
Carrying amount at 31 December		442,464
Depreciated over		3-5 years

Notes to the Financial Statements

	2020	2019
	EUR	EUR
8 Investments in subsidiaries		
Cost at 1 January	0	0
Additions for the year	5,370	0
Carrying amount at 31 December	5,370	0

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Interoute Cloud Denmark ApS	Copenhagen	DKK 40,000	100%

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:

	2020	2019
	EUR	EUR
Prepayments received from customers		
Between 1 and 5 years	57,254	201,559
Long-term part	57,254	201,559
Other prepayments from customers	1,972,936	1,926,180
	2,030,190	2,127,739
Other payables		
Between 1 and 5 years	242,950	117,802
Long-term part	242,950	117,802
Other short-term payables	874,111	943,688
	1,117,061	1,061,490

Notes to the Financial Statements

	2020 EUR	2019 EUR
10 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations	84,695	73,782

There is an ongoing transfer pricing case due to a transfer pricing audit of the Danish joint taxation of the years 2011 – 2014 performed by the Danish tax authorities (DTA). In June 2017, the DTA issued a ruling stating that the Company's transfer pricing documentation was not compliant with Danish requirements. Further, the DTA 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 have therefore filed a complaint for the Appellate Body (Landsskatteretten) and at the same time asked 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 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.

11 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

Notes to the Financial Statements

12 Subsequent events

No 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 2020 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 2020 are presented in EUR. Applied EUR exchange rate on the 31 December 2020: 743.93.

Consolidated financial statements

With reference to section 110 of the Danish Financial Statements Act, no consolidated financial statements are prepared.

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

Notes to the Financial Statements

13 Accounting Policies (continued)

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.

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, 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

13 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.

Balance Sheet

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.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Notes to the Financial Statements

13 Accounting Policies (continued)

Other fixed asset investments

Other fixed asset investments consist of deposits.

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.