
Interoute Managed Services Denmark A/S

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

Annual Report for 1 January - 31 December 2019

CVR No 29 61 97 78

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
27/8 2020

Michael Paul Winston
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 2019.

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 2019 of the Company and of the results of the Company operations for 2019.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Copenhagen, 27 August 2020

Executive Board

Daniel MacFarlane Fraser
Executive Officer

Board of Directors

Michael Paul Winston
Chairman

Daniel MacFarlane Fraser

Anthony Hansel

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 2019, 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

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 misstate-

Independent Auditor's Report

ment, 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 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.

Independent Auditor's Report

- 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, 27 August 2020

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

Michael Paul Winston, Chairman
Daniel MacFarlane Fraser
Anthony Hansel

Executive Board

Daniel MacFarlane Fraser

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Key activities

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

Development in the year

The income statement of the Company for 2019 shows a loss of EUR 160,041, and at 31 December 2019 the balance sheet of the Company shows negative equity of EUR 2,490,725.

Capital resources

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 owners expect the share capital to be restored through the Company's ordinary operations and if necessary capital increase.

The Company has at the end of the year 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 October 2021. 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.

Subsequent events

The outbreak of Covid-19 and the actions taken by governments across the world to mitigate the effects, will have a great impact on the global economy. Management considers the implications of Covid-19 as a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the company.

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

Income Statement 1 January - 31 December

	Note	2019 EUR	2018 EUR
Gross profit/loss		3,038,296	2,156,023
Staff expenses	3	-3,188,653	-2,003,128
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-206,809	-236,701
Profit/loss before financial income and expenses		-357,166	-83,806
Financial income	4	230,956	56,141
Financial expenses	5	-33,831	-5,405
Profit/loss before tax		-160,041	-33,070
Tax on profit/loss for the year	6	0	44,325
Net profit/loss for the year		-160,041	11,255

Distribution of profit

Proposed distribution of profit

Retained earnings		-160,041	11,255
		-160,041	11,255

Balance Sheet 31 December

Assets

	Note	2019 EUR	2018 EUR
Goodwill		0	47,883
Intangible assets	7	0	47,883
Other fixtures and fittings, tools and equipment		472,875	277,812
Property, plant and equipment	8	472,875	277,812
Deposits		61,526	56,285
Fixed asset investments		61,526	56,285
Fixed assets		534,401	381,980
Trade receivables		5,836,463	1,410,122
Receivables from group enterprises		1,225,283	1,882,071
Other receivables		40,462	115,478
Prepayments		53,701	2,901
Receivables		7,155,909	3,410,572
Cash at bank and in hand		121,303	27,224
Currents assets		7,277,212	3,437,796
Assets		7,811,613	3,819,776

Balance Sheet 31 December

Liabilities and equity

	Note	2019 EUR	2018 EUR
Share capital		67,160	67,160
Retained earnings		-2,557,885	-2,397,844
Equity		-2,490,725	-2,330,684
Other provisions	10	402,960	402,960
Provisions		402,960	402,960
Prepayments received from customers		201,559	298,175
Other payables		117,802	0
Long-term debt	9	319,361	298,175
Prepayments received from customers	9	1,926,180	179,232
Trade payables		210,833	549,682
Payables to group enterprises		6,499,316	4,253,269
Corporation tax		0	8,272
Other payables	9	943,688	458,870
Short-term debt		9,580,017	5,449,325
Debt		9,899,378	5,747,500
Liabilities and equity		7,811,613	3,819,776
Going concern	1		
Subsequent events	2		
Key activities			
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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	-2,397,844	-2,330,684
Net profit/loss for the year	0	-160,041	-160,041
Equity at 31 December	67,160	-2,557,885	-2,490,725

Notes to the Financial Statements

1 Going concern

The Company has at the end of the year a negative equity. The Company has received a Letter of Support from its ultimate parent GTT Communications Inc. insuring the required funding of its future operation up to 31 October 2021. 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 Subsequent events

The outbreak of Covid-19 and the actions taken by governments across the world to mitigate the effects, will have a great impact on the global economy. Management considers the implications of Covid-19 as a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

Management has not subsequently identified any remeasurement of assets and liabilities.

Management assesses that COVID-19 will have limited effect on the Company's revenue and earnings in 2020. It is at present not possible to quantify the effect. Management assess that the capital resources of the Company are sufficient.

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

Notes to the Financial Statements

	2019	2018
	EUR	EUR
3 Staff expenses		
Wages and salaries	3,038,974	1,875,643
Pensions	37,983	24,176
Other social security expenses	4,215	0
Other staff expenses	107,481	103,309
	3,188,653	2,003,128
Average number of employees	20	16
4 Financial income		
Interest received from group enterprises	2,919	47,855
Exchange adjustments, income	228,037	8,286
	230,956	56,141
5 Financial expenses		
Interest paid to group enterprises	6,152	0
Other financial expenses	27,679	5,405
	33,831	5,405
6 Tax on profit/loss for the year		
Current tax for the year	0	8,272
Adjustment of current tax concerning previous years	0	-48,798
Adjustment of deferred tax concerning previous years	0	-3,799
	0	-44,325

Notes to the Financial Statements

7 Intangible assets

	Goodwill EUR
Cost at 1 January	478,911
Cost at 31 December	478,911
Impairment losses and amortisation at 1 January	431,028
Amortisation for the year	47,883
Impairment losses and amortisation at 31 December	478,911
Carrying amount at 31 December	0
Amortised over	5 years

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment EUR
Cost at 1 January	860,163
Additions for the year	353,988
Cost at 31 December	1,214,151
Revaluations at 1 January	0
Revaluations at 31 December	0
Impairment losses and depreciation at 1 January	582,351
Depreciation for the year	158,925
Impairment losses and depreciation at 31 December	741,276
Carrying amount at 31 December	472,875
Depreciated over	3-5 years

Notes to the Financial Statements

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:

	2019 EUR	2018 EUR
Prepayments received from customers		
Between 1 and 5 years	201,559	298,175
Long-term part	201,559	298,175
Other prepayments from customers	1,926,180	179,232
	2,127,739	477,407
Other payables		
Between 1 and 5 years	117,802	0
Long-term part	117,802	0
Other short-term payables	943,688	458,870
	1,061,490	458,870

10 Contingent assets, liabilities and other financial obligations

Rental and lease obligations	73,782	71,731
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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.

Notes to the Financial Statements

11 Related parties

Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
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 Accounting Policies

The Annual Report of Interoute Managed Services Denmark A/S for 2019 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 2019 are presented in EUR. Applied EUR exchange rate on the 31 December 2019: 746,97

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

12 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, 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.

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

12 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.

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

12 Accounting Policies (continued)

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.