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# ***Front-Safe A/S***

Spotorno Alle 12, 2., DK-2630 Taastrup

## **Annual Report for 1 January - 31 December 2018**

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CVR No 29 63 11 23

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
1 /7 2019

Lars Nygaard  
Chairman of the General  
Meeting



**pwc**

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## **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Front-Safe 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.

Taastrup, 1 July 2019

### **Executive Board**

Lars Nygaard

### **Board of Directors**

Arjen Sebastian Berendsen  
Chairman

Jeremy David Rossen

Lars Nygaard

Einar Boije

# Independent Auditor's Report

To the Shareholder of Front-Safe 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 Front-Safe 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.

## Independent Auditor's Report

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.

# Independent Auditor's Report

- 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.

Hellerup, 1 July 2019

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Bo Schou-Jacobsen  
State Authorized Public Accountant  
mne28703

Anders Røjleskov  
State Authorized Public Accountant  
mne28699

## Company Information

### **The Company**

Front-Safe A/S  
Spotorno Alle 12, 2.  
DK-2630 Taastrup

CVR No: 29 63 11 23  
Financial period: 1 January - 31 December  
Municipality of reg. office: Hoeje-Taastrup

### **Board of Directors**

Arjen Sebastian Berendsen, Chairman  
Jeremy David Rossen  
Lars Nygaard  
Einar Boije

### **Executive Board**

Lars Nygaard

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Income Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
<b>Gross profit/loss</b>		<b>14.623.304</b>	<b>15.592.884</b>
Staff expenses	2	-7.332.706	-8.842.969
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-2.119.244	-5.040.761
<b>Profit/loss before financial income and expenses</b>		<b>5.171.354</b>	<b>1.709.154</b>
Financial income	4	82.059	129.199
Financial expenses		-8.121	-47.365
<b>Profit/loss before tax</b>		<b>5.245.292</b>	<b>1.790.988</b>
Tax on profit/loss for the year	5	-1.156.245	-357.209
<b>Net profit/loss for the year</b>		<b>4.089.047</b>	<b>1.433.779</b>

## Distribution of profit

### Proposed distribution of profit

Proposed dividend for the year	7.500.000	0
Retained earnings	-3.410.953	1.433.779
	<b>4.089.047</b>	<b>1.433.779</b>



# Balance Sheet 31 December

## Assets

	Note	2018 DKK	2017 DKK
Acquired licenses		955.173	2.035.462
<b>Intangible assets</b>	6	<b>955.173</b>	<b>2.035.462</b>
Other fixtures and fittings, tools and equipment		1.652.017	1.736.704
<b>Property, plant and equipment</b>	7	<b>1.652.017</b>	<b>1.736.704</b>
<b>Fixed assets</b>		<b>2.607.190</b>	<b>3.772.166</b>
Trade receivables		3.688.222	4.202.726
Receivables from group enterprises		0	3.680.283
Deferred tax asset		410.003	480.773
Prepayments		674.519	5.885
<b>Receivables</b>		<b>4.772.744</b>	<b>8.369.667</b>
<b>Cash at bank and in hand</b>		<b>13.532.024</b>	<b>7.741.432</b>
<b>Currents assets</b>		<b>18.304.768</b>	<b>16.111.099</b>
<b>Assets</b>		<b>20.911.958</b>	<b>19.883.265</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2018 DKK	2017 DKK
Share capital		544.086	544.086
Retained earnings		8.306.965	11.717.918
Proposed dividend for the year		7.500.000	0
<b>Equity</b>	<b>8</b>	<b>16.351.051</b>	<b>12.262.004</b>
Prepayments received from customers		141.151	375.968
<b>Long-term debt</b>	<b>9</b>	<b>141.151</b>	<b>375.968</b>
Prepayments received from customers	9	1.596.256	2.523.471
Trade payables		456.687	258.670
Payables to group enterprises		259.579	13.437
Corporation tax		703.622	703.622
Payables to group enterprises relating to corporation tax		1.085.475	2.960.739
Other payables		318.137	785.354
<b>Short-term debt</b>		<b>4.419.756</b>	<b>7.245.293</b>
<b>Debt</b>		<b>4.560.907</b>	<b>7.621.261</b>
<b>Liabilities and equity</b>		<b>20.911.958</b>	<b>19.883.265</b>
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## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	544.086	11.717.918	0	12.262.004
Net profit/loss for the year	0	-3.410.953	7.500.000	4.089.047
<b>Equity at 31 December</b>	<b>544.086</b>	<b>8.306.965</b>	<b>7.500.000</b>	<b>16.351.051</b>

# Notes to the Financial Statements

## 1 Main activity

The Company's main activity is to deliver backup- and archiving solutions.

	2018 DKK	2017 DKK
<b>2 Staff expenses</b>		
Wages and salaries	6.673.257	8.478.478
Pensions	287.122	141.955
Other social security expenses	24.642	44.241
Other staff expenses	347.685	178.295
	<b>7.332.706</b>	<b>8.842.969</b>
<b>Average number of employees</b>	<b>8</b>	<b>12</b>
<b>3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	1.080.289	2.873.183
Depreciation of property, plant and equipment	1.038.955	2.167.578
	<b>2.119.244</b>	<b>5.040.761</b>
<b>4 Financial income</b>		
Interest received from group enterprises	38.961	126.545
Exchange gains	43.098	2.654
	<b>82.059</b>	<b>129.199</b>
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	1.085.475	1.412.771
Deferred tax for the year	70.770	-1.055.562
	<b>1.156.245</b>	<b>357.209</b>

# Notes to the Financial Statements

## 6 Intangible assets

	Acquired licenses <u>DKK</u>
Cost at 1 January	9.182.866
Cost at 31 December	<u>9.182.866</u>
Impairment losses and amortisation at 1 January	7.147.404
Amortisation for the year	<u>1.080.289</u>
Impairment losses and amortisation at 31 December	<u>8.227.693</u>
<b>Carrying amount at 31 December</b>	<b><u>955.173</u></b>
Amortised over	<u>3-10 years</u>

## 7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment <u>DKK</u>
Cost at 1 January	3.749.103
Additions for the year	<u>954.268</u>
Cost at 31 December	<u>4.703.371</u>
Impairment losses and depreciation at 1 January	2.012.399
Depreciation for the year	<u>1.038.955</u>
Impairment losses and depreciation at 31 December	<u>3.051.354</u>
<b>Carrying amount at 31 December</b>	<b><u>1.652.017</u></b>
Depreciated over	<u>3-5 years</u>

# Notes to the Financial Statements

## 8 Equity

The share capital is broken down as follow:

	<u>Number</u>	<u>Nominal value</u> DKK
A-shares	506.000	506.000
B-shares	38.086	38.086
		<u><b>544.086</b></u>

## 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:

	<u>2018</u> DKK	<u>2017</u> DKK
<b>Prepayments received from customers</b>		
Between 1 and 5 years	141.151	375.968
Long-term part	141.151	375.968
Other prepayments from customers	1.596.256	2.523.471
	<u><b>1.737.407</b></u>	<u><b>2.899.439</b></u>

## 10 Contingent assets, liabilities and other financial obligations

Rental and lease obligations	<u>2.095.911</u>	<u>2.885.630</u>
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The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of j2 Global Denmark A/S, which is the management company of the joint taxation purposes. Moreover, the 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. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

There are no other security and contingent liabilities at 31 December 2018.

# Notes to the Financial Statements

## 11 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
j2 Global Denmark A/S	Parent company
j2 Global Inc, USA	Ultimate parent company

### Consolidated Financial Statements

The Company's immediate Parent Company is j2 Global Denmark A/S and the Ultimate Parent Company, which the Company is a subsidiary of is j2 Global Inc.

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

<u>Name</u>	<u>Place of registered office</u>
j2 Global Inc.	Hollywood, CA, USA

## 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 Front-Safe 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 accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in DKK.

### 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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

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.



# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### Income Statement

#### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue from subscriptions and other services is recognised on a straight-line basis over the period in which the service is delivered.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

#### Cost of goods sold

Cost of goods sold 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, expenses for raw materials and consumables and other external expenses.

#### Staff expenses

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

#### Amortisation, depreciation and impairment losses

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

#### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

# 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 J2 Global Denmark A/S. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

Acquired licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 10 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.

# Notes to the Financial Statements

## 13 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 rent, insurance premiums, subscriptions and interest.

### Equity

#### *Dividend*

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### 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.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### Prepayments received from customers

Prepayments received from customers comprise payments received in respect of income in subsequent years.