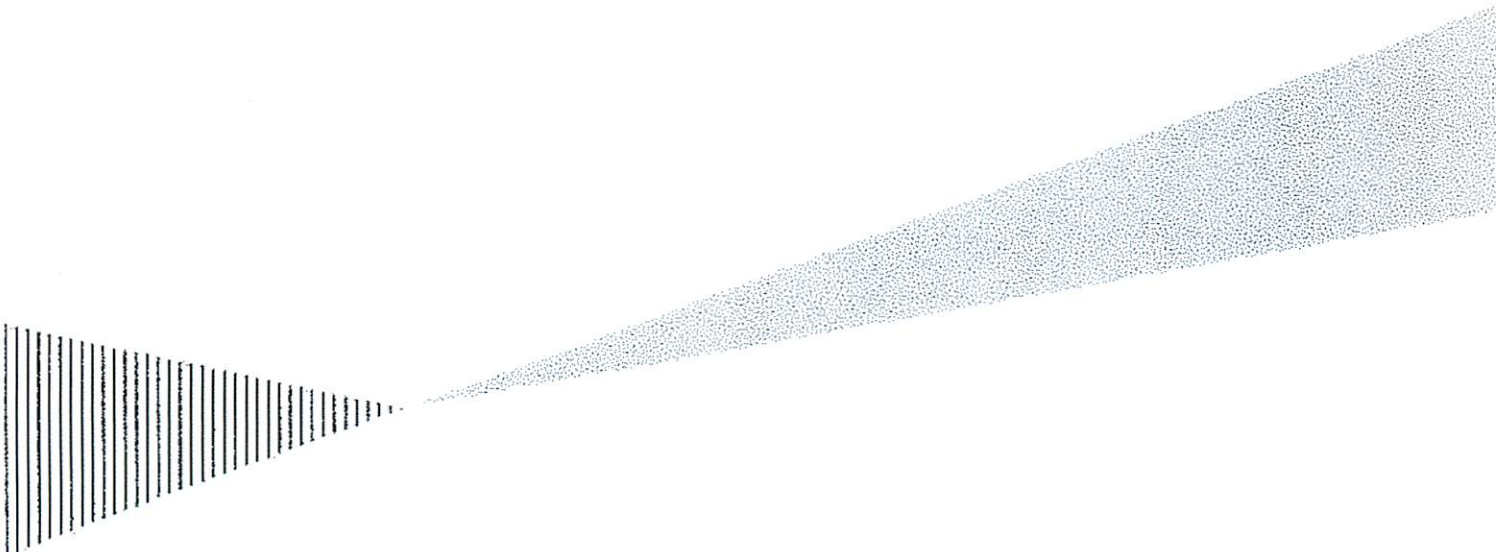


# Lycamobile Denmark ApS

Mårkærvej 13 H, 2630 Taastrup


CVR no. 32 56 04 66



## Annual report for the period 1 March - 31 December 2016

Approved at the annual general meeting of shareholders on 6 June 2017

Chairman:



Andrew Bernard Henry England



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### Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Lycamobile Denmark ApS for the financial year 1 March - 31 December 2016.

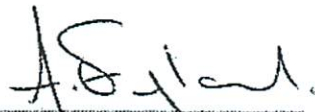
The annual report is prepared in accordance with the Danish Financial Statements Act.

In my opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 March - 31 December 2016.

Further, in my opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

I recommend that the annual report be approved at the annual general meeting.

Copenhagen, 6 June 2017  
Executive Board:



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Andrew Bernard Henry  
England



## Independent auditors' report

To the shareholder of Lycamobile Denmark ApS

### Disclaimer of opinion

We have been appointed to audit the financial statements of Lycamobile Denmark ApS for the financial year 1 March - 31 December 2016, which comprise Income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

We do not express any audit opinion on the financial statements. Because of the significance of the matter described in the "Basis for disclaimer of opinion" paragraph, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion.

### Basis for disclaimer of opinion

We were unable to obtain sufficient and appropriate audit evidence for the valuation of the carrying amount of the Company's receivables from Lycatel/Lycamobile group companies. The receivables have been recognised as other receivables and amounted to DKK 441 million at 31 December 2016.

### Material uncertainty related to going concern

We draw attention to note 2 to the financial statements, which reflects that the Company recorded a loss of DKK 107 million in the financial year ended 31 December 2016 and that the Company's liabilities, including provisions, at that date exceeded the Company's assets by DKK 108 million. This, combined with the other matters mentioned in note 9, indicates that the Company's ability to continue as a going concern is associated with considerable uncertainty.

### 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 responsibility is to express an opinion on the financial statements based on an audit conducted in accordance with ISAs and additional requirements under Danish audit legislation.

However, because of the significance of the matter described in the "Basis for disclaimer of opinion" paragraph, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion on the financial statements.

As required by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, we are independent of the Company, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.



## Independent auditors' report

### Statement on Management's review

As appears from the "Basis for disclaimer of opinion" paragraph above, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion on the financial statements. Accordingly, we make no statement on the Management's review.

Copenhagen, 6 June 2017  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 26

Brian Stenroff  
State Authorised Public Accountant

Henrik Pedersen  
State Authorised Public Accountant





## Management's review

### Company details

|                            |  |
|----------------------------|--|
| Name                       | Lycamobile Denmark ApS   |
| Address, Postal code, City | Mårkærvej 13 H, 2630 Taastrup  |
| CVR no.                    | 32 56 04 66  |
| Established                | 29 October 2009  |
| Registered office          | Høje Taastrup  |
| Financial year             | 1 March - 31 December  |
| Telephone                  | +45 35 87 22 22  |
| Executive Board            | Andrew Bernard Henry England   |
| Auditors                   | Ernst & Young Godkendt Revisionspartnerselskab<br>Osvald Helmuhs Vej 4, P.O. Box 250, 2000 Frederiksberg,<br>Denmark |



## Management's review

### Management commentary

#### Business review

The main activity for Lycamobile Denmark ApS is to perform service provisions such as marketing and sales support for company's in the Lycatel/Lycamobile network.

#### Recognition and measurement uncertainties

Since its formation, the Company's VAT position has not been clarified. Based on external legal advice and the significant uncertainty of the outcome of the dispute, the Company has recognised a provision of the entire disputable amount of DKK 107 million i the financial statements for 2016. The Company believes it has a chance of winning the dispute. The matter had not been resolved at the time of the financial reporting.

Reference is made to note 9 for more details.

#### Unusual matters having affected the financial statements

##### *Going concern*

With reference to the section above, the Company has recognised a provision related to the VAT dispute, which significantly affects the Company's loss and equity amounting to negative DKK 107 million and DKK 108.5 million at 31 December 2016, respectively. The Company has received a letter of support dated 31 May 2017 from three related Lycatel/Lycamobile Group companies, which confirms that they will refrain from calling upon their receivables from the Company until the next general meeting in 2018 if, by calling these receivables, will lead to financial strain on the Company.

The Executive Board believes there is a chance of winning the VAT dispute and thus re-establish the share capital through future profits. If, against the Executive Board's expectations, the dispute is lost fully or partially, the Company will be dependent on financial support to continue as a going concern.

Reference is made to note 2 for more details.

#### Financial review

The income statement for 2016 shows a loss of DKK 107,009 thousand against a profit of DKK 127 thousand last year, and the balance sheet at 31 December 2016 shows a negative equity of DKK -108,409 thousand. The Company has lost its equity and is thus subject to the capital loss provision of the Danish Companies Act.

#### Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.



## Financial statements for the period 1 March - 31 December

### Income statement

| Note | DKK'000  | 2016<br>10 months | 2015/16<br>12 months |
|------|--|-------------------|----------------------|
|      | Gross margin   | 2,297             | 1,126                |
| 3    | Staff costs  | -1,739            | -1,096               |
|      | Amortisation/depreciation and impairment of intangible<br>assets and property, plant and equipment | -187              | -223                 |
| 4    | Other operating expenses   | -107,111          | 0                    |
|      | Profit/loss before net financials  | -106,740          | -193                 |
|      | Financial income   | 297               | 359                  |
|      | Financial expenses   | -545              | 0                    |
|      | Profit/loss before tax   | -106,988          | 166                  |
| 5    | Tax for the year   | -21               | -39                  |
|      | Profit/loss for the year   | -107,009          | 127                  |
|      | Proposed profit appropriation/distribution of loss   |                   |                      |
|      | Retained earnings/accumulated loss   | -107,009          | 127                  |
|      |  | -107,009          | 127                  |





## Financial statements for the period 1 March - 31 December

### Balance sheet

| Note | DKK'000  | 2016           | 2015/16        |
|------|--|----------------|----------------|
|      | <b>ASSETS</b>                                    |                |                |
|      | Non-current assets                               |                |                |
| 6    | Property, plant and equipment                    |                |                |
|      | Fixtures and fittings, other plant and equipment | 417            | 534            |
|      |  | <u>417</u>     | <u>534</u>     |
|      | <b>Total non-current assets</b>                  | <u>417</u>     | <u>534</u>     |
|      | Current assets                                   |                |                |
|      | Receivables                                      |                |                |
|      | Trade receivables                                | 536            | 0              |
|      | Deferred tax assets                              | 25             | 4              |
| 7    | Other receivables                                | 441,035        | 442,160        |
|      | Prepayments                                      | 164            | 172            |
|      |  | <u>441,760</u> | <u>442,336</u> |
|      | Cash at bank and in hand                         | 137            | 133            |
|      | <b>Total current assets</b>                      | <u>441,897</u> | <u>442,469</u> |
|      | <b>TOTAL ASSETS</b>                              | <u>442,314</u> | <u>443,003</u> |



## Financial statements for the period 1 March - 31 December

### Balance sheet

| Note | DKK'000  | 2016            | 2015/16        |
|------|--|-----------------|----------------|
|      | <b>EQUITY AND LIABILITIES</b>                  |                 |                |
|      | Equity   |                 |                |
| 8    | Share capital                                  | 125             | 125            |
|      | Retained earnings                              | -108,534        | -1,525         |
|      | <b>Total equity</b>                            | <b>-108,409</b> | <b>-1,400</b>  |
|      | Provisions                                     |                 |                |
| 9    | Other provisions                               | 77,664          | 0              |
|      | <b>Total provisions</b>                        | <b>77,664</b>   | <b>0</b>       |
|      | Liabilities other than provisions              |                 |                |
|      | Current liabilities other than provisions      |                 |                |
|      | Trade payables                                 | 1,571           | 945            |
|      | Corporation tax payable                        | 70              | 77             |
| 7    | Other payables                                 | 471,098         | 443,381        |
|      | Deferred income                                | 320             | 0              |
|      |  | <b>473,059</b>  | <b>444,403</b> |
|      | <b>Total liabilities other than provisions</b> | <b>473,059</b>  | <b>444,403</b> |
|      | <b>TOTAL EQUITY AND LIABILITIES</b>            | <b>442,314</b>  | <b>443,003</b> |

- 1 Accounting policies
- 2 Going concern uncertainties
- 10 Contractual obligations and contingencies, etc.
- 11 Related parties



## Financial statements for the period 1 March - 31 December

### Statement of changes in equity

| DKK'000                    | Share capital | Retained earnings | Total    |
|----------------------------|---------------|-------------------|----------|
| Equity at 1 March 2016     | 125           | -1,525            | -1,400   |
| Profit/loss for the year   | 0             | -107,009          | -107,009 |
| Equity at 31 December 2016 | 125           | -108,534          | -108,409 |



## Financial statements for the period 1 March - 31 December

### Notes to the financial statements

#### 1. Accounting policies

The annual report of Lycamobile Denmark ApS for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement of Property, plant and equipment.

In future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made with future effect only as a change in accounting estimates with no impact on equity.

The above change does not impact the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

#### Material misstatements

The receivables and payables to companies in the Lycatel/Lycamobile Group are presented on a net basis in the financial statements for 2015/16, although they do not relate to the same counterparties. Further, net payables were presented under the caption "Payables to group entities".

As Lycamobile Denmark ApS is owned directly by four individual shareholders and is not legally in the Lycatel/Lycamobile Group, the receivables and payables are not related to group entities.

The correction of the above misstatement has the following effect on the balance sheet for 2015/16:

- Other receivables have been increased to DKK 442 million
- Other payables have been increased to DKK 443 million.

The correction of the misstatement had no effect on the opening equity as at 29 February 2016.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.



## Financial statements for the period 1 March - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Income statement

###### Revenue

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

###### Gross margin

The items revenue, cost of goods, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

###### Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of non-current assets.

###### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

###### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

###### Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, other plant and equipment      3-10 years

Property, plant and equipment as well as the depreciation method and period chosen should be reassessed regularly.

The obligation to reassess the residual value does not imply that allowance can be made for expected future price developments regarding the asset. Allowance must be made only for identified price increases when the residual value is reassessed.

In practice, there is rarely any residual value in respect of property, plant and equipment, as such assets are often time-limited rights.





## Financial statements for the period 1 March - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial income

Financial income are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

##### Balance sheet

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

##### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.



## Financial statements for the period 1 March - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

##### Other payables

Other payables are measured at net realisable value.

##### Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

## Financial statements for the period 1 March - 31 December

### Notes to the financial statements

#### 2 Going concern uncertainties

Based on external legal advice and the uncertainty relating to the outcome of the VAT dispute, the Company has recognised a significant provision (recognised in Other operating expenses), which significantly affects the Company's equity amounting to a negative DKK 108.5 million at 31 December 2016.

The VAT dispute is not expected to be settled within the next twelve months. The Company has received a letter of support from three related Lycatel/Lycamobile group companies dated 31 May 2017, which confirms that they will refrain from calling upon their receivables from the Company until the next general meeting in 2018 if, by calling these receivables, will lead to financial strain on the Company.

The Executive Board believes there is a chance of winning the VAT dispute and thus re-establish the share capital through future profits. If, against the Executive Board's expectations, the outcome of the VAT dispute is lost fully or partially, the dispute is lost fully or partially, the Company will be dependent on financial support to continue as a going concern.

Based on the Executive Board's expectation to win the VAT dispute, the financial statements for 2016 have been prepared under a going concern assumption.

| DKK'000  | 2016<br>10 months | 2015/16<br>12 months |
|--|-------------------|----------------------|
| 3 Staff costs  |                   |                      |
| Wages/salaries   | 1,728             | 1,089                |
| Pensions   | 11                | 7                    |
|  | <u>1,739</u>      | <u>1,096</u>         |
| Average number of full-time employees                                      | <u>3</u>          | <u>2</u>             |
| 4 Other operating expenses   |                   |                      |
| The recognised amount solely relates to the provision for the VAT dispute. |                   |                      |
| 5 Tax for the year   |                   |                      |
| Estimated tax charge for the year  | 43                | 48                   |
| Deferred tax adjustments in the year                                       | -22               | -9                   |
|  | <u>21</u>         | <u>39</u>            |





## Financial statements for the period 1 March - 31 December

### Notes to the financial statements

#### 6 Property, plant and equipment

| DKK'000  | Fixtures and fittings, other plant and equipment |
|--|--|
| Cost at 1 March 2016                                   | 1,139  |
| Adjustment to prior year                               | 100  |
| Additions  | 116  |
| Disposals  | -160   |
| Cost at 31 December 2016                               | 1,195  |
| Impairment losses and depreciation at 1 March 2016     | 605  |
| Adjustment to prior year                               | 100  |
| Depreciation   | 187  |
| Depreciation and impairment of disposals               | -114   |
| Impairment losses and depreciation at 31 December 2016 | 778  |
| Carrying amount at 31 December 2016                    | 417  |

#### 7 Unsettled balances with parties in the Lycatel/Lycamobile network

Of the total other receivable at 31 December 2016, DKK 441 million relate to entities within the Lycatel/Lycamobile Group.

Of the total other payables at 31 December 2016, DKK 470 million relate to entities within the Lycatel/Lycamobile Group.

#### 8 Share capital

The Company's share capital has remained DKK 125 thousand over the past 5 years.

#### 9 Other provisions

A provision of DKK 107.1 million has been recognised to cover a possible loss of the VAT dispute with the Danish tax authorities, covering the entire disputed amount. Due to the ongoing dispute, the Company has not received any VAT receivables since its formation. The amount of VAT receivables totals DKK 29.4 million at 31 December 2016.

#### 10 Contractual obligations and contingencies, etc.

##### Other financial obligations

Rent and lease liabilities include a rent obligation totalling DKK 1,079 thousand in interminable rent agreements with remaining contract terms of 9 months.



## Financial statements for the period 1 March - 31 December

### Notes to the financial statements

#### 11 Related parties

Lycamobile Denmark ApS' related parties comprise the following:

##### Parties exercising control

| <u>Related party</u> | <u>Domicile</u>   | <u>Basis for control</u> |
|----------------------|---|--------------------------|
| Allirajah Subaskaran | 2nd Floor, Walbrook Building<br>195 Marsh Wall<br>London<br>E14 9SG<br>UK | Shareholding             |