Annual Report 2016

BornFiber Service Provider ApS

Erik Husfeldts Vej 7
2630 Taastrup

CVR-no. 36 53 42 73
The Annual Report was presented and adopted at the Annual General Meeting of the company on 30 May 2017

Trine Bøgelund
Chairman of the meeting

Content

Company Information

The Company	BornFiber Service Provider ApS Erik Husfeldts Vej 7 DK-2630 Taastrup CVR-no. 36 53 42 73 Established: 1 February 2015 Registred Office: Høje Taastrup Financial Year: 1 January - 31 December
Board of Directors	Niels Erik Blangstrup Zibrandtsen (Chairman) Christian Læsø Jensen Henrik Otto Engqvist
Executive Board	Kristian Sørensen
Auditor	BDO Statsautoriseret revisionsaktieselskab Havneholmen 29 DK-1561 Copenhagen V

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of BornFiber Service Provider ApS for the financial year 1 January - 31 December 2016.

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 2016 of the Company and of the results of the Company operations for 2016.

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

Høje Taastrup 30 May 2017

Executive Board

Kristian Sørensen

Board of Directors

Niels Erik Blangstrup Zibrandtsen (Chairman)

Christian Læsø Jensen

Henrik Otto Engqvist

Independent Auditor's Report

To the Shareholder of BornFiber Service Provider ApS

Opinion

We have audited the Financial Statements of BornFiber Service Provider ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, notes and a summary of significant accounting policies. The Financial Statements are prepared under the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

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 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 judgment and maintain professional skepticism 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, mis-representations, or the override of internal control.

Independent Auditor's Report

• 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 express-ing an opinion on the effectiveness of the Company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

• Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 infor-mation required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that 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 of Management's Review.

Copenhagen, 30 May 2017

BDO Statsautoriseret revisionsaktieselskab
CVR-no.: 20 22 26 70

Torben Bjerre-Poulsen
State Authorised Public Accountant

Management's Review

Main activity

BornFiber Service Provider ApS develops, establishes and operates state of the art fiber- and wireless based broadband networks on the Danish island of Bornholm. On these networks BornFiber Service Provider ApS operates as full scale Internet Service Provider, offering Broadband connectivity, Digital TV content and Telephony services to private households, companies and to the public sector.

During 2016 BornFiber Service Provider ApS established even more infrastructure now covering more than 80% of the addresses on Bornholm.

Development in the year

The income statement of the Company for 2016 shows a profit of TDKK 6.443, and at 31 December 2016 the balance sheet of the Company shows equity of TDKK 39.325.

The Management considers the result as satisfactory.

The company has changed accounting policies in regards to fixed assets, as the company has decided to allocate direct payroll and indirect production costs to the balance sheet as self-manufactured assets. The comparative figures for the last year have been changed in accordance with the new practice.

Please refer to the description under the Accounting Policies, including the description of the impact on the annual report the change of practice, for further details.

The parent company has in the financial year injected funds of TDKK 40.000 in order for the activities to continue to evolve and to secure that the company could meet its financial obligations.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2016 TDKK (12 mth)	2015 TDKK (11 mth)
Gross profit		23.309	-4.049
Staff costs	1	9.420	2.610
Depreciation, amortisation and write-down		4.335	2.410
Operating profit		**9.553**	**-9.069**
Income from investments in subsidiaries		-110	-33
Other financial income	2	66	23
Other financial costs	3	1.133	416
Profit before tax		**8.377**	**-9.495**
Tax on profit for the year	4	1.934	-2.341
Net profit for the year		**6.443**	**-7.154**

Distribution of profit

Proposed distribution of profit

Retained earnings	6.443	-7.154
	6.443	**-7.154**

Balance Sheet 31 December

Assets

	Note	2016 TDKK (12 mth)	2015 TDKK (11 mth)
Development cost		315	0
Goodwill		5.400	7.200
Intangible fixed assets		**5.715**	**7.200**
Land & buildings		4.649	2.021
Plant and machinery		90.654	46.783
Other fixtures and fittings, tools and equipment		1.763	1.339
Leasehold improvements		153	0
Tangible fixed assets		**97.219**	**50.143**
Investment in subsidiaries		532	642
Other receivables		124	70
Financial fixed assets		**656**	**712**
Fixed assets		**103.590**	**58.055**
Inventories		**3.472**	**0**
Trade receivables		771	1.041
Receivables from group companies		0	604
Other receivables		3.419	747
Joint tax contribution		0	4.036
Prepayments		5.355	1.308
Receivables		**9.545**	**7.736**
Cash and cash equivalents		**57**	**1.277**
Current assets		**13.074**	**9.013**
Assets		**116.665**	**67.068**

Balance Sheet 31 December

Liabilities and equity

	Note	2016	2015
		TDKK	TDKK
Share capital		50	50
Retained earnings		39.275	-7.168
Equity	5	**39.325**	**-7.118**
Provision for deferred tax		3.460	1.695
Provision for liabilities		**3.460**	**1.695**
Debt to financial institutions		24.452	14.147
Amounts due to group companies		10.571	15.046
Trade payables		7.813	13.487
Joint tax contribution		36	0
Other liabilities		2.697	1.704
Deferred income		28.311	28.107
Current liabilities		**73.880**	**72.491**
Liabilities		**73.880**	**72.491**
Liabilities and equity		**116.665**	**67.068**
Contingencies etc.	6		
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Notes to the Financial Statements

		2016	2015
		TDKK	TDKK
		(12 mth)	(11 mth)
1	**Staff costs**		
	Wages and salaries	8.105	1.996
	Pensions	659	431
	Other social security costs	149	57
	Other staff costs	507	126
		9.420	2.610
	Average number of employees:	25	12

		2016	2015
2	**Other financial income**		
	Other interest income	0	23
	Exchange adjustment	66	0
		66	23

		2016	2015
3	**Other financial costs**		
	Interest expense to group enterprises	847	389
	Other interest expenses	278	27
	Exchange adjustment	8	0
		1.133	416

		2016	2015
4	**Tax on profit for the year**		
	Calculated tax on taxable income of the year	88	-4.035
	Adjustment of deferred tax	1.765	1.694
	Tax adjustment relating to prior years	81	0
		1.934	-2.341

Notes to the Financial Statements

5 **Equity**	Share capital	Reserves for net revaluations under the equity method	Retained earnings	Proposed dividend for the financial year
Equity at 1 January	50	0	-11.138	0
Change in accounting policies	0	0	3.970	0
Adjusted equity at 1 January	**50**	**0**	**-7.168**	**0**
Other changes in equity	0	0	40.000	0
Proposed distribution of profit	0	0	6.443	0
Equity at 31 December	50	0	39.275	0

6 **Contingencies etc.**

Rent liabilities

The company has rental liabilities which at the balance sheet date amounts to TDKK 10.484 in the period of non-terminability, which have a residual term of 6-12 months.

Joint liabilities

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 ZS Holding ApS, 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 and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

7 **Consolidated financial statments**

BornFiber Service Provider ApS is included in the consolidated finacial statements of:

ZS Holding ApS
Høveltevej 67
DK-3460 Birkerød

Accounting Policies

Financial Statements of BornFiber Service Provider ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B with the adoption of rules from reporting class C.

Financial Statements are presented in DKK.

The compairson figures in this Financial Statement covers a different period than this years figures.

The accounting policies applied remain unchanged from last year, except for the following changes.

Change in accounting policies
Accounting policies have been changed in the following areas:

- The company's fixed assets were previously measured exclusively at the directly incurred production costs. Practice has been changed so that fixed assets are now recognized including indirect production costs.

- The reason for the change of practice is a significant part of the total cost of the fixed assets consists of indirect production costs. It is therefore the company's opinion that an inclusion in the fixed assets gives a more true picture of the company's assets, equity, financial position and earnings.

- Comparative figures regarding changes in practice have been adjusted for last year. The practice changes on the comparative figures are recognized directly on equity at the beginning of the year, cf. the equity note.

- The cumulative effect of the change of practice for 2016 represents an increase in profit after tax of TDKK 4.145. The balance sheet total at the end of the year is increased by TDKK 4.145, attributable to fixed assets. For 2015, the profit for the year after tax was increased with TDKK 5.090, while the balance sheet total was increased by TDKK 5.090 and the equity January 1, 2016 increased by TDKK 3.970.

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. 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.

INCOME STATEMENT

Gross profit/loss
With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue
Revenue from the sale of goods and services is recognised when the risks and rewards relating to the goods and services 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 is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Accounting Policies

Expenses for raw materials and consumables
Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the enterprice.

Other external expenses
Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses
Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses
Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible and tangible fixed assets.

Income from investments in subsidiaries
The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses
Financial income and expenses are recognised in the income statement at the amounts relating to the fi- nancial year.

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 wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

BALANCE SHEET

Intangible assets
Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straightline basis over its useful life, which is assessed at 5 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition, which is assessed at 5 years.

Tangible fixed assets
Tangible fixed assets 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. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Accounting Policies

Depreciation based on cost reduced by any residual value is calculated on a straightline basis over the expected useful lives of the assets, which are:

		Residual value
Land & buildings	20 years	0%
Plant and machinery	5-40 years	0%
Other fixtures and fittings, tools and equipment	3-5 years	0%
Leasehold improvements	5 years	0%

Depreciation period and residual value are reassessed annually.

Profit or loss on disposal of tangible fixed assets is stated at the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Impairment of fixed assets
The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, it is written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Fixed asset investments
Investments in subsidiaries are recognised and measured under the equity method.

Investments in subsidiaries are measured in the Balance Sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill.

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipments.

Consolidated goodwill is amortised over the expected useful life determined on the basis of management's experience within the individual lines of business. Consolidated goodwill is amortised on a straight-line basis over the period of amortisation which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific condition.

The total net revaluation of investments in is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements.

Subsidiaries with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds accounts receivable, the residual amount is recognised under provision for liabilities to the extent that the company's has a legal or actual liability to cover the subsidiary's deficit.

Accounting Policies

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

Inventories
Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price. The cost of goods for resale, raw materials and consumables equals landed cost.

Receivables
Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments
Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities
Deferred income tax is measured using the balance sheet liability method in respect of temporary differen- ces 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
Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income
Deferred income comprises payments received in respect of income in subsequent years.