

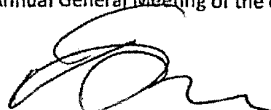
## Annual Report 2016

**ZS Holding ApS**

Høveltevej 65  
DK-3460 Birkerød

**CVR-no. 37 16 96 41**

The Annual Report was presented and adopted at the  
Annual General Meeting of the company on 6 June 2017



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Trine Bøgelund  
Chairman of the meeting

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# Company Information

## The Company

ZS Holding ApS  
Høveltevej 65  
DK-3460 Birkerød

CVR-no. 37 16 96 41  
Established: 15 October 2015  
Registered Office: Furesø  
Financial Year: 1 January - 31 December

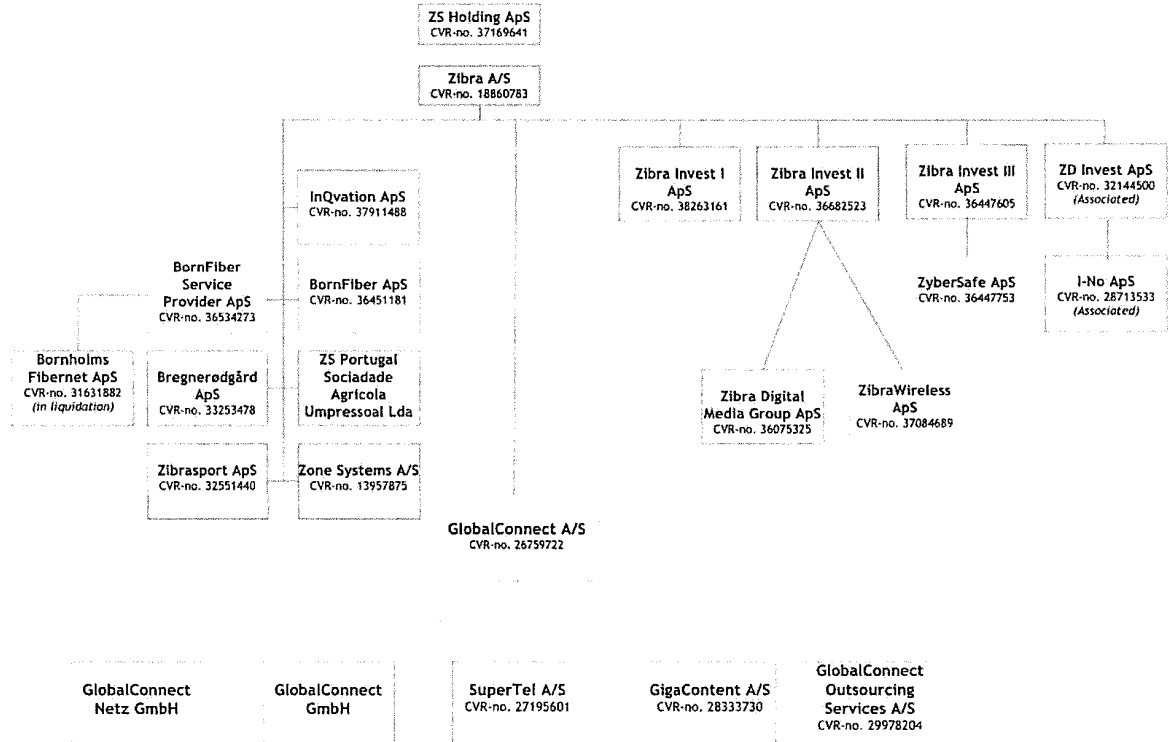
## Executive Board

Niels Erik Blangstrup Zibrandtsen  
Lisbeth Neel Zibrandtsen

## Auditor

BDO Statsautoriseret revisionsaktieselskab  
Havneholmen 29  
DK-1561 Copenhagen V

# Group Structure



## Management's Statement

The Executive Board have today considered and adopted the Annual Report of ZS Holding 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 Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Company's financial position at 31 December 2016 of the results of the Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2016.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

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

Birkerød, 30 May 2017

Executive Board



Niels Erik Blangstrup Zibrandtsen



Lisbeth Neel Zibrandtsen

# Independent Auditor's Report

To the Shareholders of ZS Holding ApS

## Opinion

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of ZS Holding ApS for the financial year 1 January 2016 - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows for the Group. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared under the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016, and of the results of the Group and Parent Company operations as well as the consolidated cash flows of the Group for the financial year 1 January 2016 - 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 Consoli-dated Financial Statements and the Parent Company Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional require-ments 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 Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company 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 Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements and the Parent Company Financial Statements, Management is responsible for assessing the Group's and the Parent 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 Consolidated Financial Statements and the Parent Company Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Consolidated Financial Statements and the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and Parent Company 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 Consolidated Financial Statements and the Parent Company 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 Group's and the Parent 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 Consolidated Financial Statements and the Parent Company 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 Group's and the Parent 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 Consolidated Financial Statements and the Parent Company 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 Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Consolidated Financial Statements and the Parent Company Financial Statements, including the disclosures, and whether the Consolidated Financial Statements and the Parent Company Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Consolidated Financial Statements and the Parent Company Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

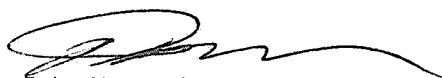
In connection with our audit of the Consolidated Financial Statements and the Parent Company Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements or the Parent Company 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, we conclude that Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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, 6 June 2017**

BDO Statsautoriseret revisionsaktieselskab  
CVR-no. 20 22 26 70



Torben Bjerre-Poulsen  
State Authorised Public Accountant

## Financial highlights of the group

|   | 2016   | 2015   | 2014   | 2013   | 2012   |
|---|--------|--------|--------|--------|--------|
|   | (MDKK) | (MDKK) | (MDKK) | (MDKK) | (MDKK) |
| <b>Income statement</b>                       |        |        |        |        |        |
| Net revenue                                   | 633    | 562    | 480    | 505    | 437    |
| Gross profit                                  | 423    | 353    | 294    | 312    | 249    |
| Operating profit/loss (EBIT)                  | 69     | 71     | 53     | 74     | 40     |
| Financial income and expenses, net            | -55    | -54    | -41    | -26    | -15    |
| Net profit/loss for the year                  | 5      | 8      | 13     | 55     | 25     |
| <b>Balance sheet</b>                          |        |        |        |        |        |
| Total Assets                                  | 2.467  | 2.313  | 2091   | 1922   | 1773   |
| Equity incl. minority interests               | 600    | 595    | 587    | 581    | 531    |
| Equity excl. minority interests               | 455    | 454    | 454    | 447    | 407    |
| <b>Cash flows</b>                             |        |        |        |        |        |
| Cash flows from operating activities          | 188    | -28    | 318    | 90     | 98     |
| Cash flows from investment-related activities | -211   | -366   | -190   | -230   | -211   |
| Cash flows from financing activities          | 19     | 303    | -30    | 142    | 117    |
| Total cash flows                              | -4     | -91    | 98     | 2      | 4      |
| Investement in tangible fixed assets          | 243    | 422    | 230    | 307    | 175    |
| <b>Ratios</b>                                 |        |        |        |        |        |
| Gross margin                                  | 66,8   | 62,9   | 61,3   | 61,8   | 57,0   |
| Profit margin                                 | 10,9   | 12,6   | 11,0   | 14,7   | 9,2    |
| Rate of return                                | 2,9    | 3,2    | 2,6    | 4,0    | 2,3    |
| Solvency ratio                                | 18,5   | 19,6   | 21,7   | 23,3   | 23,0   |
| Average number of employees                   | 290    | 271    | 203    | 177    | 174    |

The ratios follow in all material respects the recommendations of the Danish Finance Society. The ratios stated in the list of key figures and ratios have been calculated as follows:

|                 |   |
|-----------------|---|
| Gross margin:   | $\frac{\text{Gross profit} \times 100}{\text{Net revenue}}$                     |
| Profit margin:  | $\frac{\text{Operating profit} \times 100}{\text{Net revenue}}$                 |
| Rate of return: | $\frac{\text{Operating profit} \times 100}{\text{Average balance sheet total}}$ |
| Solvency ratio: | $\frac{\text{Equity, at year end} \times 100}{\text{Assets, at year end}}$      |



# Management's Review

## Main activity

The Group is an independent fibre infrastructure based service provider, offering efficient and secure data networking, data centre solutions and cloud services. The digitization and requirement for efficient communication within companies, the public sector and the state adds value for all in the society – and the Group benefits from this fast-growing trend. The Group covers all of Denmark, Northern Germany and parts of Sweden with more than 15,000 km of high-speed optical fibre network and 13,000 m<sup>2</sup> data centres. The Group also acts as turnkey supplier of international lines and services via collaborating with other telecommunication operators outside the company's area of own coverage.

Furthermore, the Group has activities within wireless communication, online sports, encryption and digital media.

## Development in the year

The income statement of the Group for 2016 shows a profit of TDKK 5.108, and at 31 December 2016 the balance sheet of the Group shows equity of TDKK 599.779.

The 2016 financial year has been another successful year for the Group with growth in both Gross Profit and EBITDA. During 2016, the daughter company GlobalConnect has had a positive customer order intake in direct B2B sales in both Denmark and Germany as well as in The Group's wholesale business. Combined with a positive cash flow for the year, the overall 2016 performance is the best in the history of The Group.

For the fibre-based part of the Group, 2016 was a year that saw significant growth. Part of the growth was linked to meshing Bornholm and the expansion of the German fibre based network which has been ongoing for some years. The Group believes that this positive trend will continue during 2017, as more and more of the German infrastructure will come into active operation.

In late December 2016, a significant event occurred for the Group as EQT and Zibra signed a sale and purchase agreement, regarding the sale of the GlobalConnect Group according to which EQT will take over a majority of shares. Zibra will continue as a shareholder, but will no longer be a majority shareholder in. The deal was closed on February 28th 2017.

## Profit/loss for the year compared to expectations

The Group's net revenue was TDKK 632.512 (2015: TDKK 561.865) and EBITDA mDKK 68.768 (2015: mDKK 71.020).

The Group presents earnings before tax (EBT) of TDKK 12.384 (2015: TDKK 12.959), net earnings after tax of TDKK 5.108 (2015: mDKK 7.911).

The Group's 2016 performance lives up to expectations, as set out in the Management Review of the Annual Report 2015, and is considered satisfactory by both Board and Management.

## Significant events after the end of the financial year

No events have occurred from the balance sheet date until the date of signature that could change the assessment of the Company's financial position.

Because of the sales and purchase agreement with EQT regarding the GlobalConnect Group, ordinary closing activities have been carried out, and closing happened on February 28th 2017.

As part of a refinancing plan for the GlobalConnect Group, The Group has announced successful solicitation consents from bondholders regarding certain amendments to the bond agreement, which will permit an early redemption of the bonds in March 2017.

# Management's Review

## Special risks

The price level of the Group's products is based on supply and demand on the Danish and international telecommunications and data market and is not exposed to particular price-related risks. The majority of all contracts cover a longer period of time than a single financial year.

The main part of the Group's activities is settled in Danish currency (DKK), but due to activities abroad, the Company's performance, cash flow and equity are to some extent influenced by exchange and interest rate developments of the euro. It is the Group's policy only to hedge commercial currency risks. This is primarily done by forward exchange transactions to hedge expected turnover and purchases within the next 12 months.

The Group is funded mainly through equity, prepayments from customers and a combination of corporate bonds and bank financing. Interest risks on interest-bearing debt are partly hedged by swap arrangements.

## Environmental situation

The Group is working on optimising its energy consumption in order to contribute to the reduction of global CO<sub>2</sub> emissions. Such efforts could be strengthened further through easier conditions for the supply of surplus heat to district heating systems as part of the Group's overall Community Social Responsibility work (CSR). The Group is optimistic regarding the reuse of heat from cooling systems as Apple in 2015 announced that it is locating a major data centre in Denmark because of the possibility for the reuse of heat from the cooling systems. Hence, The Group expects that this will become the general standard in Denmark for all players in the data centre market in order to avoid unbalanced competition and that legislation will be adjusted accordingly.

## Research and development activities

The Group aims to apply the newest technologies and is interested in encouraging investments in the next generation of the IKT community through active participation in selected professional and industrial bodies and boards. The Group works together with research institutions and development companies in order to support the development of disciplines within the telecommunications and knowledge industry. Among other things, this work has led to cooperation with a number of foreign companies to intensify knowledge development and general interest in innovation in Denmark.

Furthermore, the Group has development activities within the field of encrypting data in motion.

## Future expectations

The Group continuously aims to secure and develop its market position through controlled growth based on an increased focus on processes and improvement of operational efficiency. Such measures are expected to increase profitability and strengthen the group's competitiveness. In the Group, we continuously work to increase the range of products and services in order to improve customer satisfaction.

The Group will continue to improve the support and product portfolio for our partners with an aim to improving their competitive edge.

## Corporate social responsibility

The Group makes it possible for all employees to develop their competences in order to make a difference through their personal commitment and diversity. We strive to find a reasonable work-life balance and strive to ensure equal opportunities to all, regardless of gender, ethnic background, physical abilities etc.

In 2016, the Group had 290 employees in average. The Group outsources certain digging and installation activities and thus we are instrumental in creating a significant number of jobs with subcontractors due to our continued strong infrastructure expansion.

All decisions regarding employment, promotion, dismissal, wages and other working conditions are based on relevant and objective criteria.

It is natural for us to involve ourselves in society and the way in which it functions. It is important for us that our surroundings see the Group as a socially responsible and committed company. We are working on improving Community Social Responsibility contrary to Corporate Social Responsibility, so that national government, the public sector and private companies increase their joint efforts to create a better society.

## Management's Review

Our policies and reporting within this area are based on UN's Global Compact's ten principles within the areas of human rights, labour (rights), environment and anti-corruption.

We contribute to a cleaner technology and more efficient energy consumption in society through the provision of our products and services. At the same time, we are reducing our own CO2 emissions as well as other environmental impacts of the Group. Purchasing products under appropriate and safe conditions and safeguarding that they are being disposed of in an environmentally sound way contribute further to this aim.

The Group wants to be known as a Group that focuses on skilful leadership, employee satisfaction, motivation and a sound environment while at the same time we develop the competences of our employees, in order for them to make a difference by their personal commitment and diversity. Furthermore, our staff policy encompasses rules against corruption, prohibition of child labour and compulsory labour as well as non-discrimination vis-a-vis gender, age and ethnic background.

In 2016, the level of "long term fit" employees at the Group was 97%, seen as the number of absent days in the Group due to illness divided by the total amount of workdays in a year. The long-term fitness rate in the Group is well above the Danish national average and is considered satisfactory, but it will remain a focus area for the Group in the future.

The Group has formed a workplace environment committee with representatives from Management as well as employees. The committee deals with relevant environment-oriented matters in order to secure a continuously optimal working environment for the daily work carried out by the employees. The Group also focuses on the health of our employees. The aim is to keep our employees fit and healthy and to create an environment where the employees are aware of the well-being and long-term health status of their colleagues. We offer exercise facilities to employees in our offices in Denmark and Germany. Moreover, we have an active staff association, focus on healthy food and we are offering an attractive pension scheme and health insurance for employees. Furthermore, the Group lists demands for suppliers as far as health, safety and work environment are concerned.

The Group is continuously working to exert influence on legislators so that environmental economically sound laws overrule the economically inexpedient laws within the boundaries of Community Social Responsibility. The Group considers cooperation between the public sector and the industry very important and is therefore actively seeking to promote such partnerships.

In 2016, The Group was a member of an initiative, Code Camps, to bring more understanding of technology into Danish secondary schools (age 12-16). The project started up in 2016 and involves the City of Copenhagen, the Ministry for Children, Education and Gender Equality together with other private IT companies and the Danish IT Industry Association. The Group also supports "Geeks without Frontiers", an independent non-profit organisation, in expanding telecommunication coverage in developing countries through the initiatives DigOnce and VillageConnect.

### **Target figures and policies for the underrepresented gender**

The Group aims at having as equal representation as possible, regardless of gender, ethnic background, citizenship, physical abilities etc., thus counteracting any discrimination. The Group applies equal treatment of gender in our organisation. However, when recruiting, the Group has to take into account the special skills required in a technical oriented organisation in order to secure the best-qualified resources for the company. 33% of the members of the Group's Board of Directors are women.

The Group aims, at any time, to have positions filled by the best-qualified persons, irrespective of gender, ethnic background, citizenship, physical abilities etc. Representation is linked to qualifications. We aim at making sure that any position may be applied for on equal terms.

## Income Statement 1 January - 31 December

|  | Note | GROUP          |                | PARENT COMPANY |              |
|--|------|----------------|----------------|----------------|--------------|
|  |      | 2016<br>TDKK   | 2015<br>TDKK   | 2016<br>TDKK   | 2015<br>TDKK |
| <b>Net revenue</b>   | 1    | 632.512        | 561.865        | 0              | 0            |
| Production costs   |      | 170.615        | 139.902        | 0              | 0            |
| Other operating income   |      | 23.074         | 3.601          | 0              | 0            |
| Other external costs   | 2    | 62.385         | 72.293         | 185            | 148          |
| <b>Gross profit</b>  |      | <b>422.586</b> | <b>353.271</b> | <b>-185</b>    | <b>-148</b>  |
| Staff costs  | 3    | 208.990        | 149.840        | 0              | 0            |
| Depreciation, amortisation and write-down                                      | 4    | 142.754        | 132.142        | 0              | 0            |
| Other operating costs  |      | 2.073          | 269            | 0              | 0            |
| <b>Operating profit/loss</b>   |      | <b>68.768</b>  | <b>71.020</b>  | <b>-185</b>    | <b>-148</b>  |
| Income from investments in subsidiaries  | 5    | 0              | 0              | -1.593         | 280          |
| Income from investments in associated companies<br>and other fixed receivables | 6    | -1.332         | -4.087         | 0              | 0            |
| Other financial income   | 7    | 10.007         | 10.075         | 0              | 0            |
| Other financial costs  | 8    | 65.059         | 64.049         | 0              | 0            |
| <b>Profit/loss before tax</b>  |      | <b>12.384</b>  | <b>12.959</b>  | <b>-1.778</b>  | <b>132</b>   |
| Tax on profit/loss for the year  | 9    | 7.276          | 5.048          | -40            | -35          |
| <b>Net profit/loss for the year</b>  |      | <b>5.108</b>   | <b>7.911</b>   | <b>-1.738</b>  | <b>167</b>   |

### Distribution of profit/loss

#### Proposed distribution of profit/loss

|   |              |              |               |            |
|---|--------------|--------------|---------------|------------|
| Minority shareholders                                 | 6.846        | 7.744        | 0             | 0          |
| Reserves for net revaluations under the equity method | 7.804        | 0            | -1.793        | 0          |
| Proposed dividend for the financial year              | 30.000       | 0            | 30.000        | 0          |
| Retained earnings                                     | -39.542      | 167          | -29.945       | 167        |
|   | <b>5.108</b> | <b>7.911</b> | <b>-1.738</b> | <b>167</b> |

## Balance Sheet 31 December

|  | Note | GROUP            |                  | PARENT COMPANY |                |
|--|------|------------------|------------------|----------------|----------------|
|  |      | 2016<br>TDKK     | 2015<br>TDKK     | 2016<br>TDKK   | 2015<br>TDKK   |
| <b>Assets</b>                                    |      |                  |                  |                |                |
| Development costs                                |      | 16.847           | 16.325           | 0              | 0              |
| Prepayments regarding rights to use and licenses |      | 13.427           | 27.627           | 0              | 0              |
| Goodwill   |      | 5.400            | 7.200            | 0              | 0              |
| Consolidated goodwill                            |      | 27.636           | 22.434           | 0              | 0              |
| <b>Intangible fixed assets</b>                   | 10   | <b>63.310</b>    | <b>73.586</b>    | <b>0</b>       | <b>0</b>       |
| Land & Buildings                                 |      | 101.705          | 99.819           | 0              | 0              |
| Plant and machinery                              |      | 1.492.530        | 1.443.188        | 0              | 0              |
| Other fixtures and fittings, tools and equipment |      | 295.391          | 274.209          | 0              | 0              |
| Leasehold improvements                           |      | 4.877            | 5.715            | 0              | 0              |
| Assets under development                         |      | 50.978           | 37.056           | 0              | 0              |
| <b>Tangible fixed assets</b>                     | 11   | <b>1.945.481</b> | <b>1.859.987</b> | <b>0</b>       | <b>0</b>       |
| Investments in subsidiaries                      | 12   | 0                | 0                | 455.228        | 454.523        |
| Investments in associated companies              | 13   | 0                | 642              | 0              | 0              |
| Receivables regarding financial leases           | 14   | 64.359           | 67.008           | 0              | 0              |
| Deposits   | 13   | 5.604            | 12.917           | 0              | 0              |
| <b>Financial fixed assets</b>                    |      | <b>69.963</b>    | <b>80.567</b>    | <b>455.228</b> | <b>454.523</b> |
| <b>Fixed assets</b>                              |      | <b>2.078.754</b> | <b>2.014.140</b> | <b>455.228</b> | <b>454.523</b> |
| <b>Inventories</b>                               |      | <b>91.226</b>    | <b>61.015</b>    | <b>0</b>       | <b>0</b>       |
| Trade receivables                                |      | 218.825          | 157.845          | 0              | 0              |
| Receivables from group companies                 |      | 0                | 0                | 20             | 0              |
| Receivables from associated companies            |      | 0                | 78               | 0              | 0              |
| Other receivables                                |      | 24.831           | 26.134           | 0              | 0              |
| Joint tax contribution                           |      | 0                | 0                | 11.068         | 6.189          |
| Corporate tax                                    |      | 0                | 5.975            | 1.395          | 3.487          |
| Prepayments                                      | 15   | 35.596           | 26.241           | 0              | 0              |
| <b>Receivables</b>                               |      | <b>279.252</b>   | <b>216.273</b>   | <b>12.483</b>  | <b>9.676</b>   |
| <b>Cash and cash equivalents</b>                 |      | <b>17.507</b>    | <b>21.435</b>    | <b>0</b>       | <b>0</b>       |
| <b>Current assets</b>                            |      | <b>387.985</b>   | <b>298.723</b>   | <b>12.483</b>  | <b>9.676</b>   |
| <b>Assets</b>                                    |      | <b>2.466.739</b> | <b>2.312.863</b> | <b>467.711</b> | <b>464.199</b> |

## Balance Sheet 31 December

|   | Note | GROUP            |                  | PARENT COMPANY |                |
|---|------|------------------|------------------|----------------|----------------|
|   |      | 2016<br>TDKK     | 2015<br>TDKK     | 2016<br>TDKK   | 2015<br>TDKK   |
| <b>Liabilities and equity</b>                               |      |                  |                  |                |                |
| Share capital   |      | 50               | 50               | 50             | 50             |
| Reserves for net revaluations under the equity method       |      | 12.737           | 3.709            | 1.462          | 757            |
| Retained earnings   |      | 412.383          | 450.651          | 423.658        | 453.603        |
| Proposed dividend for the financial year                    |      | 30.000           | 0                | 30.000         | 0              |
| Minority interests  |      | 144.609          | 140.279          | 0              | 0              |
| <b>Equity</b>   |      | <b>599.779</b>   | <b>594.689</b>   | <b>455.170</b> | <b>454.410</b> |
| Deferred tax  | 16   | 160.889          | 165.581          | 0              | 0              |
| Other provisions for liabilities                            | 17   | 1.962            | 2.183            | 0              | 0              |
| <b>Provision for liabilities</b>                            |      | <b>162.851</b>   | <b>167.764</b>   | <b>0</b>       | <b>0</b>       |
| Bond & bank debt  |      | 716.208          | 717.025          | 0              | 0              |
| Derivative financial instruments                            |      | 13.096           | 18.419           | 0              | 0              |
| Finance lease   |      | 681              | 421              | 0              | 0              |
| Other liabilities   |      | 243.756          | 240.088          | 0              | 0              |
| <b>Long-term liabilities</b>                                | 18   | <b>973.741</b>   | <b>975.953</b>   | <b>0</b>       | <b>0</b>       |
| Bond & bank debt, current portion of long-term liabilities  |      | 233.949          | 142.363          | 0              | 0              |
| Debt to financial institutions                              |      | 70.537           | 178.731          | 0              | 0              |
| Finance lease, current portion of long-term liabilities     |      | 461              | 190              | 0              | 0              |
| Other liabilities, current portion of long-term liabilities |      | 58.480           | 0                | 0              | 0              |
| Trade payables  |      | 50.961           | 38.189           | 119            | 148            |
| Prepayments received  |      | 28.311           | 34.144           | 0              | 0              |
| Joint tax contribution                                      |      | 0                | 0                | 12.422         | 9.641          |
| Corporate tax   |      | 1.859            | 949              | 0              | 0              |
| Other liabilities   |      | 123.879          | 59.368           | 0              | 0              |
| Deferred income   | 19   | 161.931          | 120.523          | 0              | 0              |
| <b>Current liabilities</b>                                  |      | <b>730.368</b>   | <b>574.457</b>   | <b>12.541</b>  | <b>9.789</b>   |
| <b>Liabilities</b>  |      | <b>1.704.109</b> | <b>1.550.410</b> | <b>12.541</b>  | <b>9.789</b>   |
| <b>Liabilities and equity</b>                               |      | <b>2.466.739</b> | <b>2.312.863</b> | <b>467.711</b> | <b>464.199</b> |
| Contingencies etc.  | 20   |                  |                  |                |                |
| Related parties   | 21   |                  |                  |                |                |

## Equity

| GROUP                            |               |                               |                   |  |         |                    |         |
|----------------------------------|---------------|-------------------------------|-------------------|--|---------|--------------------|---------|
| Equity                           | Share capital | Reserves for net revaluations | Retained earnings | Proposed dividend for the financial year |         | Minority interests |         |
| Equity at 1 January              | 50            | 0                             | 444.903           | 0  | 444.953 | 140.279            | 585.232 |
| Change in accounting policies    | 0             | 3.709                         | 5.748             | 0  | 9.457   | 0                  | 9.457   |
|                                  | 50            | 3.709                         | 450.651           | 0  | 454.410 | 140.279            | 594.689 |
| Foreign exchange adjustments     | 0             | 0                             | -827              | 0  | -827    | -255               | -1.082  |
| Capital increase                 | 0             | 0                             | 219               | 0  | 219     | 481                | 700     |
| Dividend paid                    | 0             | 0                             | 0                 | 0  | 0       | -3.688             | -3.688  |
| Reclassification of deferred tax | 0             | 0                             | 3.106             | 0  | 3.106   | 946                | 4.052   |
| Transfer to/from other items     | 0             | 1.224                         | -1.224            | 0  | 0       | 0                  | 0       |
| Proposed distribution of profit  | 0             | 7.804                         | -39.542           | 30.000                                   | -1.738  | 6.846              | 5.108   |
| Equity at 31 December            | 50            | 12.737                        | 412.383           | 30.000                                   | 455.170 | 144.609            | 599.779 |

Specification of the share capital consist of 50.000 shares with a nominal value of DKK 1.

|   |               |
|---|---------------|
| Value of reserves for development costs | 2.413         |
| Value of reserves for revaluations      | 10.324        |
|   | <u>12.737</u> |

| PARENT COMPANY                   |               |   |                   |  |         |                    |         |
|----------------------------------|---------------|---|-------------------|--|---------|--------------------|---------|
| Equity                           | Share capital | Reserves for net revaluations under the equity method | Retained earnings | Proposed dividend for the financial year |         | Minority interests |         |
| Equity at 1 January              | 50            | 0   | 444.903           | 0  | 444.953 | 0                  | 444.953 |
| Change in accounting policies    | 0             | 757   | 8.700             | 0  | 9.457   | 0                  | 9.457   |
|                                  | 50            | 757   | 453.603           | 0  | 454.410 | 0                  | 454.410 |
| Foreign exchange adjustments     | 0             | -827  | 0                 | 0  | -827    | 0                  | -827    |
| Capital increase                 | 0             | 219   | 0                 | 0  | 219     | 0                  | 219     |
| Reclassification of deferred tax | 0             | 3.106   | 0                 | 0  | 3.106   | 0                  | 3.106   |
| Proposed distribution of profit  | 0             | -1.793  | -29.945           | 30.000                                   | -1.738  | 0                  | -1.738  |
| Equity at 31 December            | 50            | 1.462   | 423.658           | 30.000                                   | 455.170 | 0                  | 455.170 |

## Cash flow statement 1 January - 31 December

|  | GROUP           |                 |
|--|-----------------|-----------------|
|  | 2016            | 2015            |
|  | TDKK            | TDKK            |
| <b>Cash flow</b>   |                 |                 |
| Profit for the year  | 5.108           | 7.911           |
| Reversed depreciation of the year                          | 142.754         | 131.895         |
| Change in net present value of non-guaranteed scrap values | 204             | -2.323          |
| Amortised prepayments                                      | -34.669         | -44.321         |
| Reversed tax on profit/loss for the year                   | 7.276           | 5.048           |
| Other adjustments  | -1.038          | -2.579          |
| Corporation tax paid                                       | -1.032          | -3.162          |
| Change in inventory  | -30.212         | -18.234         |
| Change in receivables                                      | -66.508         | -52.245         |
| Change in current liabilities (ex bank, tax and dividend)  | 171.252         | -44.109         |
| Change in financial instrument                             | -5.323          | -5.510          |
| <b>Cash flows from operating activities</b>                | <b>187.812</b>  | <b>-27.629</b>  |
| Purchase and sale of intangible fixed assets               | -21.639         | -37.573         |
| Purchase and sale of tangible fixed assets                 | -197.415        | -326.349        |
| Purchase and sale of financial assets                      | 7.955           | -642            |
| Investment in deposits                                     | 0               | -8.772          |
| Other financial investments                                | 0               | 6.915           |
| <b>Cash flows from investing activities</b>                | <b>-211.099</b> | <b>-366.421</b> |
| Addition of capital  | 700             | 0               |
| Other changes in long-term debt                            | 22.347          | 306.024         |
| Dividend paid in the financial year                        | -3.688          | -2.542          |
| <b>Cash flows from financing activities</b>                | <b>19.359</b>   | <b>303.482</b>  |
| <b>Change in cash and cash equivalents</b>                 | <b>-3.928</b>   | <b>-90.568</b>  |
| Cash and cash equivalents at 1 January                     | 21.435          | 112.003         |
| Cash and cash equivalents at 31 December                   | 17.507          | 21.435          |



## Notes to the Financial Statements

|                                     | 2016           | 2015           | 2016                  | 2015       |
|-------------------------------------|----------------|----------------|-----------------------|------------|
|                                     | TDKK           | TDKK           | TDKK                  | TDKK       |
| <b>1 Net Revenue</b>                | <b>GROUP</b>   |                | <b>PARENT COMPANY</b> |            |
| Domestic                            | 475.032        | 427.182        | 0                     | 0          |
| Abroad                              | 157.480        | 134.683        | 0                     | 0          |
|                                     | <u>632.512</u> | <u>561.865</u> | <u>0</u>              | <u>0</u>   |
| Fibre B2B business                  | 309.874        | 308.336        | 0                     | 0          |
| Telehouse facilities                | 106.592        | 108.556        | 0                     | 0          |
| Sale of ducts & fibre systems       | 72.783         | 28.651         | 0                     | 0          |
| Other revenues                      | 143.263        | 116.322        | 0                     | 0          |
|                                     | <u>632.512</u> | <u>561.865</u> | <u>0</u>              | <u>0</u>   |
| <b>2 Fee to statutory auditors</b>  |                |                |                       |            |
| Specification of fee:               |                |                |                       |            |
| Statutory audit                     | 1.035          | 1.280          | 39                    | 11         |
| Assurance engagements               | 511            | 483            | 0                     | 0          |
| Tax consultancy and other services  | 774            | 1.835          | 80                    | 137        |
|                                     | <u>2.320</u>   | <u>3.598</u>   | <u>119</u>            | <u>148</u> |
| <b>3 Staff costs</b>                |                |                |                       |            |
| Wages and salaries                  | 183.761        | 126.254        | 0                     | 0          |
| Pensions                            | 15.951         | 16.612         | 0                     | 0          |
| Other social security costs         | 2.138          | 1.459          | 0                     | 0          |
| Other staff costs                   | 7.140          | 5.515          | 0                     | 0          |
|                                     | <u>208.990</u> | <u>149.840</u> | <u>0</u>              | <u>0</u>   |
| <b>Average number of employees:</b> | <u>290</u>     | <u>271</u>     | <u>0</u>              | <u>0</u>   |
| Remuneration of Executive Board     | 35.251         | 4.674          |                       |            |

An amount of TDKK 31.650 has been deducted in wages and salaries and has been transferred to fixed assets as indirect production costs.

## Notes to the Financial Statements

|  | 2016           | 2015           | 2016                  | 2015       |
|--|----------------|----------------|-----------------------|------------|
|  | TDKK           | TDKK           | TDKK                  | TDKK       |
| <b>4 Depreciation, amortisation and write-down</b>                                   | <b>GROUP</b>   |                | <b>PARENT COMPANY</b> |            |
| Development  | 4.141          | 2.616          | 0                     | 0          |
| Prepayments regarding rights to use and licenses                                     | 3.504          | 5.162          | 0                     | 0          |
| Goodwill   | 8.142          | 6.233          | 0                     | 0          |
| Land & Buildings   | 3.440          | 8.490          | 0                     | 0          |
| Plant and machinery  | 72.558         | 67.144         | 0                     | 0          |
| Other fixtures and fittings, tools and equipment                                     | 51.773         | 40.751         | 0                     | 0          |
| Leasehold improvements   | 939            | 632            | 0                     | 0          |
| Gain/(loss) on sale of tagible fixed assets  | -1.744         | 1.114          | 0                     | 0          |
|  | <u>142.754</u> | <u>132.142</u> | <u>0</u>              | <u>0</u>   |
| <b>5 Income from investments in subsidiaries</b>                                     |                |                |                       |            |
| Profit/loss for the year in subsidiaries   | 0              | 0              | -1.593                | 280        |
|  | <u>0</u>       | <u>0</u>       | <u>-1.593</u>         | <u>280</u> |
| <b>6 Income from investments in associated companies and other fixed receivables</b> |                |                |                       |            |
| Profit/loss for the year in associated companies                                     | -1.332         | -3.904         | 0                     | 0          |
| Profit/loss for the year from other receivables                                      | 0              | -183           | 0                     | 0          |
|  | <u>-1.332</u>  | <u>-4.087</u>  | <u>0</u>              | <u>0</u>   |
| <b>7 Other financial income</b>  |                |                |                       |            |
| Other interest income  | 9.935          | 10.075         | 0                     | 0          |
| Exchange adjustment  | 72             | 0              | 0                     | 0          |
|  | <u>10.007</u>  | <u>10.075</u>  | <u>0</u>              | <u>0</u>   |
| <b>8 Other financial costs</b>   |                |                |                       |            |
| Other interest expenses  | 64.882         | 64.049         | 0                     | 0          |
| Exchange adjustment  | 177            | 0              | 0                     | 0          |
|  | <u>65.059</u>  | <u>64.049</u>  | <u>0</u>              | <u>0</u>   |
| <b>9 Tax on profit/loss for the year</b>   |                |                |                       |            |
| Calculated tax on taxable income of the year   | 6.251          | 960            | 0                     | 0          |
| Adjustment of deferred tax   | 671            | 2.364          | -41                   | -34        |
| Tax adjustment relating to prior years   | 354            | 1.724          | 1                     | -1         |
|  | <u>7.276</u>   | <u>5.048</u>   | <u>-40</u>            | <u>-35</u> |

## Notes to the Financial Statements

| 10 Intangible fixed assets                | GROUP         |  |                                   |              |                       |
|---|---------------|--|-----------------------------------|--------------|-----------------------|
|   | Development   | Prepayments regarding rights to use and licenses | Development cost under production | Goodwill     | Consolidated goodwill |
| Cost at 1 January 2016                    | 19.495        | 60.385   | 0                                 | 9.182        | 44.287                |
| Foreign exchange adjustments              | 0             | -3   | 0                                 | 0            | 0                     |
| Additions of the year                     | 4.254         | 5.434  | 0                                 | 0            | 11.577                |
| Transfer                                  | 460           | -27.725  | 0                                 | 0            | 0                     |
|   | <b>24.209</b> | <b>38.091</b>                                    | <b>0</b>                          | <b>9.182</b> | <b>55.864</b>         |
| Amortisation at 1 January 2016            | 3.170         | 32.758   | 0                                 | 1.982        | 21.853                |
| Transfer                                  | 51            | -11.597  | 0                                 | 0            | 0                     |
| Foreign exchange adjustments              | 0             | -1   | 0                                 | 0            | 0                     |
| Amortisation of the year                  | 4.141         | 3.504  | 0                                 | 1.800        | 6.375                 |
|   | <b>7.362</b>  | <b>24.664</b>                                    | <b>0</b>                          | <b>3.782</b> | <b>28.228</b>         |
| <b>Carring amount at 31 December 2016</b> | <b>16.847</b> | <b>13.427</b>                                    | <b>0</b>                          | <b>5.400</b> | <b>27.636</b>         |

Development costs consist of a development of GlobalConnect's ERP system AX. The system is already contributing to optimizing administrative routines, enhancement of data and cost savings. The system is constantly being improved and is already now an essential management tool in the organisation. The development costs are amortised over 5 years, which in Management's view is the minimum lifetime of the system.

Development cost also consist of a development costs related to the development of the company's unique core basic encryption hardware products along with add on applications, test of the platform, documentation etc. Management expects the value of the development cost will carry value for many years as the business model is centered around the sale of these hardware encryption boxes. The development can be used worldwide and is future proofed for capacities up to 10 Gbit.

## Notes to the Financial Statements

| 11 Tangible fixed assets   | GROUP            |                     |  |                        |                          |
|--|------------------|---------------------|--|------------------------|--------------------------|
|  | Land & Buildings | Plant and machinery | Other fixtures and fittings, tools and equipment | Leasehold improvements | Assets under development |
| Cost at 1 January 2016   | 105.999          | 2.097.980           | 530.181  | 10.627                 | 37.056                   |
| Change in accounting policies                                    | 0                | 5.090               | 893  | 0                      | 0                        |
| Foreign exchange adjustments                                     | -9               | -1.109              | -24  | -9                     | 0                        |
| Additions of the year  | 3.402            | 107.069             | 80.893   | 283                    | 50.978                   |
| Disposals  | 0                | 567                 | -11.225  | -178                   | -37.056                  |
| Transfer   | 2.000            | 24.504              | 761  | 0                      | 0                        |
|  | <b>111.392</b>   | <b>2.234.100</b>    | <b>601.478</b>                                   | <b>10.723</b>          | <b>50.978</b>            |
| Revaluation at 1 January 2016                                    | 11.723           | 17.825              | 0  | 0                      | 0                        |
| Revaluation of the year  | -262             | -737                | 0  | 0                      | 0                        |
|  | <b>11.461</b>    | <b>17.088</b>       | <b>0</b>   | <b>0</b>               | <b>0</b>                 |
| Amortisation at 1 January 2016                                   | 17.904           | 677.556             | 256.777  | 4.912                  | 0                        |
| Transfer   | 55               | 11.196              | 330  | 0                      | 0                        |
| Change in accounting policies                                    | 0                | 151                 | 87   | 0                      | 0                        |
| Foreign exchange adjustments                                     | 0                | -110                | -7   | -2                     | 0                        |
| Depreciation of the year   | 3.189            | 72.429              | 51.947   | 939                    | 0                        |
| Reversal of depreciation of assets disposed                      | 0                | -2.564              | -3.047   | -4                     | 0                        |
|  | <b>21.148</b>    | <b>758.658</b>      | <b>306.088</b>                                   | <b>5.845</b>           | <b>0</b>                 |
| <b>Carring amount at 31 December 2016</b>                        | <b>101.705</b>   | <b>1.492.530</b>    | <b>295.391</b>                                   | <b>4.877</b>           | <b>50.978</b>            |
| Finance lease assets   | 0                | 63.402              | 72.051   | 0                      | 0                        |
| Value of recognised assets. Excluding revaluation under § 41 (1) | 90.244           | 1.475.442           | 0  | 0                      | 0                        |

## Notes to the Financial Statements

|   | 2016                  | 2015           |
|---|-----------------------|----------------|
|   | TDKK                  | TDKK           |
| <b>12 Investments in subsidiaries</b>     |                       |                |
|   | <b>PARENT COMPANY</b> |                |
| Cost at 1 January                         | 453.766               | 453.766        |
| Cost at 31 December                       | 453.766               | 453.766        |
| Revaluation at 1 January                  | 757                   | 0              |
| Change in accounting principles           | 0                     | 9.457          |
| Foreign exchange adjustments              | -827                  | 434            |
| Revaluation of the year                   | -1.593                | -9.134         |
| Dividend paid                             | -200                  | 0              |
| Other changes in equity                   | 3.325                 | 0              |
| Revaluation at 31 December                | 1.462                 | 757            |
| <b>Carring amount at 31 December 2016</b> | <b>455.228</b>        | <b>454.523</b> |

Investments in subsidiaries:

| Name  | Capital           | Ownership | Equity  | Profit/Loss<br>for the year |
|---|-------------------|-----------|---------|-----------------------------|
| Zibra A/S                                     | Furesø            | 100%      | 455.228 | -1.593                      |
| <i>Group companies</i>                        |                   |           |         |                             |
| BornFiber ApS                                 | Høje Taastrup     | 100%      |         |                             |
| BornFiber Service Provider ApS                | Høje Taastrup     | 100%      |         |                             |
| LSTv2 ApS (Under frivillig likviditation)     | Høje Taastrup     | 100%      |         |                             |
| ZibraWireless ApS                             | Høje Taastrup     | 100%      |         |                             |
| Zibrasport ApS                                | Høje Taastrup     | 100%      |         |                             |
| Zibra Digital Media Group ApS                 | Høje Taastrup     | 100%      |         |                             |
| Bregnerødgård ApS                             | Furesø            | 100%      |         |                             |
| ZS Portugal Sociedade Agricola Umpressoal Lda | Almerin, Portugal | 100%      |         |                             |
| ZyberSafe ApS                                 | Høje Taastrup     | 87%       |         |                             |
| Zibra Invest I ApS                            | Høje Taastrup     | 100%      |         |                             |
| Zibra Invest II ApS                           | Høje Taastrup     | 100%      |         |                             |
| Zibra Invest III ApS                          | Høje Taastrup     | 100%      |         |                             |
| InQvation ApS                                 | Høje Taastrup     | 100%      |         |                             |
| Zone Systems A/S                              | Høje Taastrup     | 100%      |         |                             |
| GlobalConnect A/S                             | Høje Taastrup     | 76,65%    |         |                             |
| SuperTel A/S                                  | Høje Taastrup     | 76,65%    |         |                             |
| GigaContent A/S                               | Høje Taastrup     | 76,65%    |         |                             |
| GlobalConnect Outsourcing Services A/S        | Copenhagen        | 61,32%    |         |                             |
| GlobalConnect Netz GmbH                       | Hamburg, Germany  | 76,65%    |         |                             |
| GlobalConnect GmbH                            | Hamburg, Germany  | 76,65%    |         |                             |

## Notes to the Financial Statements

|   | GROUP                                     |          | PARENT COMPANY                            |          |
|---|---|----------|---|----------|
|   | TDKK                                      | TDKK     | TDKK                                      | TDKK     |
|   | Investments<br>in associated<br>companies | Deposits | Investments<br>in associated<br>companies | Deposits |
| <b>13 Fixed assets investments</b>        |   |          |   |          |
| Cost at 1 January                         | 3.975                                     | 12.917   | 0   | 0        |
| Additions of the year                     | 0   | 213      | 0   | 0        |
| Disposals                                 | -2.500                                    | -7.526   | 0   | 0        |
| Cost at 31 December                       | 1.475                                     | 5.604    | 0   | 0        |
| Revaluation at 1 January                  | -3.975                                    | 0        | 0   | 0        |
| Disposals                                 | 3.832                                     | 0        | 0   | 0        |
| Revaluation of the year                   | -1.332                                    | 0        | 0   | 0        |
| Revaluation at 31 December                | -1.475                                    | 0        | 0   | 0        |
| <b>Carring amount at 31 December 2016</b> | 0   | 5.604    | 0   | 0        |

Investments in associated companies:

| Name  | Capital       | Ownership |
|---|---------------|-----------|
| ZD Invest ApS (Under frivillig likviditation) | Høje Taastrup | 40%       |
| I-NO ApS (Under frivillig likviditation)      | Høje Taastrup | 30%       |

## Notes to the Financial Statements

|   | 2016          | 2015          | 2016                  | 2015     |
|---|---------------|---------------|-----------------------|----------|
|   | TDKK          | TDKK          | TDKK                  | TDKK     |
| <b>14 Receivable regarding financial leases</b>                                       | <b>GROUP</b>  |               | <b>PARENT COMPANY</b> |          |
| <b>Gross receivable from financial leases</b>   |               |               |                       |          |
| Amounts due between 1 year  | 10.616        | 11.307        | 0                     | 0        |
| Amounts due between 1 and 5 years   | 23.675        | 28.113        | 0                     | 0        |
| Amounts due after 5 years   | 27.383        | 26.060        | 0                     | 0        |
|   | <u>61.674</u> | <u>65.480</u> | <u>0</u>              | <u>0</u> |
| Future interest payment, not earned   | -13.066       | -14.422       | 0                     | 0        |
|   | <u>48.608</u> | <u>51.058</u> | <u>0</u>              | <u>0</u> |
| <b>Net investment regarding financial leases</b>                                      |               |               |                       |          |
| Amounts due between 1 year  | 7.181         | 7.816         | 0                     | 0        |
| Amounts due between 1 and 5 years   | 17.683        | 20.386        | 0                     | 0        |
| Amounts due after 5 years   | 23.591        | 22.856        | 0                     | 0        |
|   | <u>48.455</u> | <u>51.058</u> | <u>0</u>              | <u>0</u> |
| Net present value of non-guaranteed scrap value                                       | 20.346        | 20.397        | 0                     | 0        |
|   | <u>68.801</u> | <u>71.455</u> | <u>0</u>              | <u>0</u> |
| <b>Accumulated write-down reservations for bad debts on receivable minimum leases</b> |               |               |                       |          |
| Provision at 1 January  | -4.447        | -4.950        | 0                     | 0        |
| Provision of the year   | 5             | 503           | 0                     | 0        |
| Provision at 31 December  | <u>-4.442</u> | <u>-4.447</u> | <u>0</u>              | <u>0</u> |
| Receivable regarding financial leases   | <u>64.359</u> | <u>67.008</u> | <u>0</u>              | <u>0</u> |

## Notes to the Financial Statements

|   | 2016    | 2015    | 2016 | 2015 |
|---|---------|---------|------|------|
|   | TDKK    | TDKK    | TDKK | TDKK |
| <b>15 Prepayments and accrued income</b>  |         |         |      |      |
| This amount consist primarily of prepaid costs.   |         |         |      |      |
| <b>16 Provision for deferred tax</b>  |         |         |      |      |
| Provision for deferred tax comprises of inventory and intangible and tangible fixed assets. |         |         |      |      |
| Deferred tax at 1 January 2016  | 165.581 | 156.607 | -1   | 0    |
| Deferred tax, change accounting principles  | 0       | 2.556   | 0    | 1    |
| Deferred tax of the year, income statement  | -640    | 5.711   | 1    | -1   |
| Deferred tax of the year, additions   | 0       | 707     |      |      |
| Deferred tax of the year, equity  | -4.053  | 0       | 0    | 0    |
|   | 160.888 | 165.581 | 0    | 0    |

### 17 Other provisions for liabilities

Other provisions for liabilities consist of provision for guarantees given in contracts concerning infeasible rights to use, entered into before 2005.

### 18 Long-term liabilities

|  | GROUP  | PARENT COMPANY |   |   |
|--|--------|----------------|---|---|
| <b>Drivative financial instruments</b>       |        |                |   |   |
| Bond & bank debt, outstanding after 5 years  | 20.050 | 22.760         | 0 | 0 |
| Finance lease, outstanding after 5 years     | 142    | 0              | 0 | 0 |
| Other liabilities, outstanding after 5 years | 88.810 | 88.316         | 0 | 0 |

With the purpose of securing future payments of interest expenses the Group has in an earlier year entered into an interest rate SWAP on an underlying loan of TDKK 219.850. However, also in prior years the loan was paid in, and the SWAP was continued. The SWAP will expire in 2019. As the value of the SWAP depends on the future market interest rate, it cannot be estimated which part of the debt that will fall due in the coming year.

### 19 Accruals and deferred income

This amount consist primarily of accrued revenue in future years.



## Notes to the Financial Statements

|  | 2016           | 2015           | 2016                  | 2015     |
|--|----------------|----------------|-----------------------|----------|
|  | TDKK           | TDKK           | TDKK                  | TDKK     |
| <b>20 Contingencies etc.</b>   | <b>GROUP</b>   |                | <b>PARENT COMPANY</b> |          |
| Zibra A/S has pledged the shares in BornFiber ApS and BornFiber Service Provider ApS to a third party. Zibra A/S has given guarantees to third part of TDKK 6.000 regarding activities in Bornfiber ApS. Furthermore, Zibra A/S has made a support letter regarding third party lease agreements in ZibraWireless ApS, Zibra Digital Media Group ApS and Zibrasport ApS. |                |                |                       |          |
| Lease commitments  | 15.831         | 13.482         | 0                     | 0        |
| Rental commitments   | 116.906        | 114.650        | 0                     | 0        |
| Garantees to third party   | 46.981         | 46.981         | 0                     | 0        |
| Owners morgage debt in tangible assets   | 367.000        | 357.545        | 0                     | 0        |
| Floating charge  | 105.000        | 65.000         | 0                     | 0        |
|  | <u>651.718</u> | <u>597.658</u> | <u>0</u>              | <u>0</u> |

The company GlobalConnect A/S has issued a letter of support to the subsidiary GlobalConnect Outsourcing Services A/S. GlobalConnect A/S declares through any necessary supplements to guarantee the company's obligations, thereby ensuring the company's continued operation for minimum end 2017.

### Charges and securities

The following assets are pledge as security for debt:

|                                     | GROUP                           |   | PARENT COMPANY                  |   |
|-------------------------------------|---------------------------------|---|---------------------------------|---|
|                                     | Carrying<br>amount of<br>assets | Nom. Value<br>of morgage<br>or<br>outstanding<br>debt | Carrying<br>amount of<br>assets | Nom. Value<br>of morgage<br>or<br>outstanding<br>debt |
| Chattel mortgages                   | 0                               | 405.967   | 0                               | 0   |
| Fiber/Ducts                         | 1.027.927                       | 0   | 0                               | 0   |
| Facility housing                    | 114.402                         | 0   | 0                               | 0   |
| Real estate mortgages               | 0                               | 116.631   | 0                               | 0   |
| Land and buildings                  | 82.066                          | 0   | 0                               | 0   |
| All-moneys morgage, floating charge | 0                               | 100.000   | 0                               | 0   |
| Trade receivables                   | 177.032                         | 0   | 0                               | 0   |
| Inventories                         | 29.359                          | 0   | 0                               | 0   |
| Leasehold improvements              | 1.433                           | 0   | 0                               | 0   |
| Deposits                            | 617                             | 0   | 0                               | 0   |
|                                     | <u>1.432.836</u>                | <u>622.598</u>  | <u>0</u>                        | <u>0</u>  |

The following assets are financed by financial leasing

|                             |                |               |          |          |
|-----------------------------|----------------|---------------|----------|----------|
| Facility housing            | 39.548         | 16.455        | 0        | 0        |
| Other fixture and equipment | 72.051         | 59.094        | 0        | 0        |
| Fiber/ducts                 | 23.854         | 11.308        | 0        | 0        |
|                             | <u>135.453</u> | <u>86.857</u> | <u>0</u> | <u>0</u> |

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.

## 21 Related parties

ZS Holding ApS' related parties include:

### **Controlling interest**

Lisbeth Zibrandsen, Høveltevej 65, 3460 Birkerød is the principal shareholder

### **Other related parties having performed transactions with the company**

The company's related parties having a significant influence comprise subsidiaries and associates as well as the companies' Board of Directors, Board of Executives and executive officers and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests.

### **Transactions with related parties**

The company did not carry out any substantial transactions that were not concluded on market conditions.

# Accounting Policies

Financial Statements of ZS Holding ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C.

Financial Statements are presented in DKK.

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

## **Change in accounting policies**

Changes in the accounting policies in daughter companies have been incorporated in this Financial Statements comparison figures. The cumulative effect of the changes is reflected in decrease of the investment in Subsidiaries of TDKK 9.457 and decrease of Equity of TDKK 9.475.

## **Consolidated financial statements**

The consolidated financial statements include the parent company ZS Holding ApS and its subsidiaries in which ZS Holding ApS directly or indirectly holds more than 50% of the voting rights or in any other way has a controlling influence. Enterprises in which the Group holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are considered associates, see the group structure.

The consolidated financial statements consolidate the financial statements of the parent company and the subsidiaries by combining uniform accounts items. Intercompany income and expenses, shareholdings, intercompany balances and dividend, and realised and unrealised gains and losses arising from transactions among the consolidated enterprises are fully eliminated in the consolidation.

New acquired or established enterprises are recognised in the consolidated financial statements from the time of acquisition. Sold or wound up enterprises are recognised in the consolidated income statement up to the time of disposal. Comparative figures are not adjusted for new acquired, sold or wound up enterprises.

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 equipment.

Investments in subsidiary enterprises are set off by the proportional share of the subsidiaries' market value of net assets and liabilities at the acquisition date.

Positive differences between acquisition value and market value of acquired and identified assets and liabilities are recognised in intangible fixed assets as goodwill and amortised systematically in the income statement under an individual assessment of the useful life. Negative differences are recognised in the income statement upon acquisition.

## **Minority interests**

The accounting items of the subsidiaries are recognised in full in the consolidated financial statements. The minority interests' proportional share of the results and equity of the subsidiaries is stated as separate items in the allocation of profit and in individual main items under equity.

# Accounting Policies

## 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

### 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.

In cases where the company acts as lessor and leases part of its network on contracts lasting more than 15 years and where all substantial risks and benefits connected to the transfer of ownership are transferred to the lessee, the profit, calculated as the difference between the cost price and the net present value of the future incoming leasing payments and the non-secured scrap value at the end of the contract period, is shown in the income statement.

The net present value of future incoming lease payments and scrap values with deduction of writedowns on potentially unattainable lease payments are shown in the balance sheet as a financial asset.

Received lease payments are divided into interest, which are shown in the income statement, and prepayments, which are set off against the financial lease receivable.

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

### Cost of sales

Costs of sales are recognised concurrently with the related income and include purchase and cost price for sold goods during the year. Raw materials, consumables and indirect production costs are included in the cost price.

### Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible fixed assets.

### Other operating income

Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

# Accounting Policies

## **Other external expenses**

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

General development costs, which cannot be related to a specific project, are expensed as they arise.

## **Staff expenses**

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

## **Amortisation, depreciation and impairment losses**

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

## **Income from investments in subsidiaries and associated companies**

The item "Income from investments in subsidiaries" and "Income from investments in associated companies" in the income statement includes the proportionate share of the profit for the year and deduction of amortisation of goodwill.

## **Financial income and expenses**

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial 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. 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 conditions.

Patents and 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 15 years.

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

# Accounting Policies

## 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.

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%             |
|  | Land is not depreciated | 0%             |
| Plant and machinery                              | 5-40 years              | 0%             |
| Other fixtures and fittings, tools and equipment | 3-5 years               | 0%             |
| Leasehold improvements                           | 5 years                 | 0%             |

Leases, which do not fulfil the requirements of financial leasing, are expensed on a current basis. The total commitment is disclosed in the notes to the financial report.

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.

## 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.

# Accounting Policies

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.

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

## **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.

## **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.

Cost price of financial lease contracts is recorded at the lower of market value and net present value of the future lease payments. The net present value is calculated by using the lease contracts' internal interest rate or an approximation thereof as discounting factor.

## **Prepayments**

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

# Accounting Policies

## Equity

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

## Other provisions for liabilities

Other provisions for liabilities include the expected cost of warranty commitments, loss on work in progress, restructuring etc. and deferred tax.

## 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.

The company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

## 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.

The capitalised residual lease liability on finance lease contracts is also recognised as financial liabilities.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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.



# Accounting Policies

## **CASH FLOW STATEMENT**

The cash flow statement shows the company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

### **Cash flows from operating activities:**

Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

### **Cash flows from investing activities:**

Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

### **Cash flows from financing activities:**

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

### **Cash and cash equivalents:**

Cash and cash equivalents include bank overdraft and cash in hand.