

# **Annual report 2018**

## **Cyber Security 1 AB (Publ) Group Consolidated and Parent Company financial statements**

Table of content

|  |    |
|--|----|
| <b>Key financial ratios for the Group</b> .....                                    | 3  |
| <b>Managements' administration report</b> .....                                    | 4  |
| <b>Proposed Appropriation of the Parent Company Current Year Loss</b> .....        | 6  |
| Consolidated and Parent Company Income Statement .....                             | 7  |
| Consolidated and Parent Company Statement of Comprehensive Income .....            | 8  |
| <b>Consolidated and Parent Company Statement of Financial Position</b> .....       | 9  |
| <b>Consolidated Statement of Changes in Equity</b> .....                           | 10 |
| <b>Consolidated and Parent Company Statement of Cash Flows</b> .....               | 11 |
| <b>Parent Company Statement of Changes in Equity</b> .....                         | 12 |
| <b>Notes to the financial statements</b> .....                                     | 13 |
| <b>Accounting policies and explanatory notes to the financial statements</b> ..... | 13 |
| 1 <b>Significant Accounting policies</b> .....                                     | 13 |
| 2 <b>Key accounting assessments estimates and assumptions</b> .....                | 24 |
| 3 <b>Financial Instruments and Financial Risk Management</b> .....                 | 26 |
| 4 <b>Business Combinations</b> .....   | 35 |
| 5 <b>Segment Information</b> .....   | 36 |
| 6 <b>Salaries and other Salary Remuneration</b> .....                              | 38 |
| 7 <b>Audit and consulting fees</b> .....   | 41 |
| 8 <b>Depreciation, amortisation and write-downs</b> .....                          | 41 |
| 9 <b>Income Tax</b> .....  | 42 |
| 10 <b>Intangible assets</b> .....  | 43 |
| 11 <b>Impairment test of Goodwill</b> .....  | 45 |
| 12 <b>Tangible fixed assets</b> .....  | 47 |
| 13 <b>Investment in subsidiaries</b> .....   | 48 |
| 14 <b>Inventories</b> .....  | 50 |
| 15 <b>Trade and other receivables</b> .....  | 50 |
| 16 <b>Current liabilities</b> .....  | 51 |
| 17 <b>Non-Controlling interest</b> .....   | 52 |
| 18 <b>Financial instruments and financial risk management</b> .....                | 52 |
| 19 <b>Share capital</b> .....  | 56 |
| 20 <b>Earnings per Share</b> .....   | 57 |
| 21 <b>Equity</b> .....   | 57 |
| 22 <b>Operating Lease commitments</b> .....  | 58 |
| 23 <b>Related party transactions</b> .....   | 58 |
| 24 <b>Subsequent events</b> .....  | 59 |
| 25 <b>Appropriation of Current Year Loss for Cyber1</b> .....                      | 60 |
| 26 <b>Approval of Annual Report</b> .....  | 60 |
| Signatures of the CEO, Board and the Groups' auditor                               | 61 |

## Key financial ratios for the Group

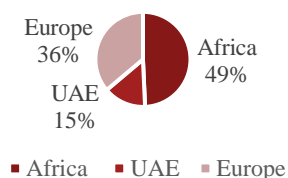
All amount in the annual report are reported as thousands of EURO (TEUR) unless otherwise stated

| Key Financial Ratios                      | 2018           | 2017           |
|---|----------------|----------------|
|   | € ('000)       | € ('000)       |
| Revenue                                   | 43 950,4 TEUR  | 17 192,9 TEUR  |
| Loss before tax                           | (2 085,0) TEUR | (3 068,2) TEUR |
| Loss after tax                            | (2 427,2) TEUR | (3 068,2) TEUR |
| Operating margin                          | (5,7) %        | (17,5) %       |
| Net Debt                                  | 0 TEUR         | 0 TEUR         |
| Cash Flow from operations                 | 6 090,9 TEUR   | (3 452,5) TEUR |
| Basic Earnings per share                  | (0,0090) EUR   | (0,0120) EUR   |
| Number of shares at the end of the Period | 292 235 506    | 257 179 500    |
| Employees at the end of the period        | 190            | 136            |

## 2018 IN BRIEF

- Revenue increased by 156 percent to 43,950 TEUR from 17 193 TEUR in 2017.
- Gross profit increased by 73 percent to 11,440 TEUR from 6,626 TEUR in 2017.
- Operating loss decreased to 2,504 TEUR from 3,000 TEUR in 2017.
- Loss after tax decreased to 2,427 TEUR from 3,068 TEUR in 2017.
- On January 1, Cyber1 acquired both Intact and A-tek, Value Added Distribution (VAD) businesses
- On July 13, Cyber1 acquired Itway (Turkey) and Itway (Greece), both VAD businesses
- During 2018, Cyber1 absorbed its exclusive service partner Cognosec GmbH (Austria), an Advisory service company
- Cognosec AB (Publ) underwent a formal name change during 2018 to Cyber Security 1 AB (Publ) following the 2018 AGM

Sales by jurisdictional Segment



Operating Margin by product segment



## ***Managements' administration report***

### **Details of the Parent's business**

Cyber Security 1 AB (Publ) ("**Cyber1**") is the Parent company in the Cyber Security 1 AB Group. The company, named Cognosec AB (Publ) at the time, was listed on the Nasdaq First North Stock exchange in September 2016. It is a holding company that directly or indirectly owns the operating subsidiaries of the Cyber Security 1 AB Group.

Cyber1 is a NASDAQ-listed, agile global company with offices in UK, UAE, Europe and Africa. It operates across the public and private sectors in the Cybersecurity space and assists organisations to reduce cyber risks, become resilient to attacks, assess organisations' processes, procedures and systems for non-compliance and vulnerabilities.

Cyber1 operates across multiple public and private sector organisations including government, healthcare, retail, insurance, manufacturing and hospitality and specialises in security, risk and compliance services that allows it to offer the best in payments, communications, network and e-commerce security. Cyber1 designs, implements and manages solutions that protect critical IT infrastructure, data assets, independent product advice and professional services across all cybersecurity application areas.

The Cyber1 share register is managed by Euroclear.

Mangold Fondkommission AB was the Nasdaq First North certified advisor to Cyber1 during the year.

Consolidated earnings for the twelve months through to 31 December 2018 amounted to a loss of 2 427.2 TEUR (2017: loss 3 068.2 TEUR), of which 47.9 TEUR profit (2017: profit 2.3 TEUR) was attributable to the Non-controlling interest shareholders. Consolidated shareholders' equity at 31 December 2018 amounted to 15 188,7 TEUR (2017: 4 499,8 TEUR) of which 196,7 TEUR (2017: 148,8 TEUR) relate to equity attributable to minority shareholders.

Cyber1's loss for the 12 months up to and including 31 December 2018 amounted to 1 618.8 TEUR (2017: 855.5 TEUR). Equity in the Parent Company at 31 December 2018 amounted to 14 520 TEUR (2017: 3 121 TEUR).

### **Related party transaction**

Transactions with related parties have all been executed on market terms and are further described in Note 23.

### **Share data**

As of 31 December 2018, the Company had a total of 292 235 506 issued shares (2017: 257 179 500). The quota value amounted to 0,0000262 EUR (2017: 0,000278 EUR) per share. For more information about the Company's shares, see Note 19, 20 and 21.

### **Business review and going concern**

The group is building up its capabilities and growing its strategic base, particularly in Europe and the EMEA Region. Whilst core cash flow generation in established geographies is strong, the newly established entities require cash funding. As such the group is reliant on support from its existing and future shareholders and has been in receipt of such cash support in 2018 and thereafter. Previous acquisitions were also funded through this mechanism and that is the expectation for the acquisitions which have already been announced to the market.

Management is fully aware of the cash position, with the expectation of future growth and support from external sources to meet its immediate needs. However, as at the reporting date, looking at its current cash position and cashflow projections for the business, the company is dependent on external funding to cover its cashflow gap. If Cyber1 cannot acquire additional external funding or, grow the business sufficiently swiftly, there is a risk that a liquidity deficit will occur. Taken as a whole, this means that there are material factors of uncertainty that, if not alleviated by the current plans management have in place to secure funding and grow the business, it could lead to doubt regarding the ability of the company to continue to be a going concern. This may primarily affect the valuation of goodwill at group level and shares in subsidiaries at parent level.

### **Strategy**

In the Value-Added Distribution segment, Cyber1 works to maximize long term profitability, leveraging its strong market presence and trusted brand. In addition, capitalizing on its leading market position in a number of its core jurisdictions in this category, Cyber1 will maintain a continued focus to drive benefits from synergies existing and new from across the group.

In the advisory and managed services segment, Cyber1 will drive profitable growth through strong sales and marketing execution, while maintaining strict cost discipline. Cyber1 continues to adapt its assortment in order to maintain its leadership in offering high quality services with outstanding value with a focus on services in growing higher margin segments.

Cyber1 will continue to grow and establish new international markets based on Cyber1's strong and expanding service capabilities and high-quality brands it is vendor portfolio.

**Financial development**

Sales for the VAD segment for the year increased by 204 percent to 30,445 TEUR (2017:10,016), while operating margin increased by 100 percent to 6,579 TEUR (2017: 3,288). This increase is principally due to the addition of Itway Greece and Itway Turkey VAD businesses

Sales for AMS (Advisory, Managed services) increased by 88 percent compared to the prior year. The operating margin for the AMS segment was 45 percent.

**Significant events during the year**

On January 1, 2018, Cyber1 acquired 100 percent of the shares of (i) Intact Software Distribution (Pty) Ltd, (ii) A-tek Distribution Limited (renamed Credence Security UK Limited) and (iii) Cognosec GmbH (Austria).

Intact and A-tek are value added distribution business, while Cognosec GmbH provides and sells professional advisory and managed services. The total considerations for those entities amounted to 549 TEUR and were partly paid in cash and shares.

On July 13, 2018, Cyber1 acquired 100 percent of the shares in Itway (Greece) and Itway (Turkey). These entities trade in value added distribution (VAD) products. The consideration amounted to 10 MEUR and was partly paid in cash (2 MEUR) and (8 MEUR) shares upon the acquisition date.

**Board and Chief Executive Officer**

The Cyber1 board of Directors at 31 December 2018 were the following members: Kobus Paulsen (Chairman), Rt Hon. the Lord Blunkett, Lord Anthony St. John of Bletso, Patrick Boylan, Neira Jones, and Daryn Stilwell.

As of 31 December 2018, Robert Brown was serving as the Cyber1 Chief Executive Officer.

The following board directors resigned and ceased to be board members on 30 June 2018: Daniel Holden.

**Other Events**

Cyber1 announced the acquisitions of Advantio Limited, Infonet and IntaForensics Limited. Further details are described in Note 24.

Subsequent to the balance sheet date, the following appointments were made:

Nick Viney was appointed as Chief Executive Officer and Vivian Gevers was promoted to Chief Operations Officer and further are described in Note 24.

**Annual general meeting**

The annual general meeting (AGM) is scheduled for 4<sup>th</sup> July 2019.

### ***Proposed Appropriation of the Parent Company Current Year Loss***

The below funds and proposed treatment of them is to be decided at the company's annual general meeting.

|                   |                       |
|-------------------|-----------------------|
| Free Equity       | € 16 062 327,93       |
| Current year Loss | € (1 618 714,06)      |
| <b>Total</b>      | <b>€14 443 613,87</b> |

The board proposes that the available funds are carried forward.

**To be brought forward** **€ 14 443 613,87**

### ***Financial reporting***

Cyber1's financial reporting for 2018 consists of financial summary and financial reports, as well as accounting policies and notes.

The financial summary consists of annually and key performance measures, the financial reports consist of consolidated and Parent Company statements of comprehensive income and balance sheets, as well as changes in shareholders' equity and a cash flow statement.

The accounting policies and notes provide detailed company-specific information that more thoroughly describes the company's financial position.

## **Consolidated and Parent Company Income Statement** for the year ended 31 December 2018

|   | <i>Note</i> | <b>Group</b>     | Group            | <b>Parent</b>    | Parent         |
|---|-------------|------------------|------------------|------------------|----------------|
|   |             | <b>2018</b>      | 2017             | <b>2018</b>      | 2017           |
|   |             | <b>€'000</b>     | €'000            | <b>€'000</b>     | €'000          |
| Revenue                                       | 5           | 43 950,4         | 17 192,9         | -                | -              |
| Cost of sales                                 |             | (32 510,7)       | (10 566,9)       | -                | -              |
| <b>Gross profit</b>                           |             | <b>11 439,7</b>  | <b>6 626,0</b>   | -                | -              |
| Sales expense                                 | 6           | (8 317,9)        | (6 408,7)        | -                | -              |
| Administrative expenses                       | 7, 8        | (5 626,2)        | (3 217,6)        | (1 604,7)        | (845,8)        |
| <b>Operating Loss</b>                         |             | <b>(2 504,4)</b> | <b>(3 000,3)</b> | <b>(1 604,7)</b> | <b>(845,8)</b> |
| Financial income                              |             | 634,4            | 15,7             | -                | -              |
| Financial expense                             |             | (215,0)          | (83,6)           | (14,1)           | (9,7)          |
| <b>Loss before taxation</b>                   |             | <b>(2 085,0)</b> | <b>(3 068,2)</b> | <b>(1 618,8)</b> | <b>(855,5)</b> |
| Income tax expense                            | 9           | (342,2)          | -                | -                | -              |
| <b>Loss for the period</b>                    |             | <b>(2 427,2)</b> | <b>(3 068,2)</b> | <b>(1 618,8)</b> | <b>(855,5)</b> |
| <b>Attributable to</b>                        |             |                  |                  |                  |                |
| Equity holders of parent                      |             | (2 475,1)        | (3 070,5)        |                  |                |
| Non-controlling interest                      |             | 47,9             | 2,3              |                  |                |
|   |             | <b>(2 427,2)</b> | <b>(3 068,2)</b> |                  |                |
| <b>Basic earnings per share (€ per share)</b> | 20          | <b>(0.0090)</b>  | <b>(0.0120)</b>  |                  |                |

**Consolidated and Parent Company Statement of Comprehensive Income**  
*for the year ended 31 December 2018*

|  | <b>Group</b>     | Group          | <b>Parent</b>    | Parent         |
|--|------------------|----------------|------------------|----------------|
|  | <b>2018</b>      | 2017           | <b>2018</b>      | 2017           |
|  | <b>€'000</b>     | €'000          | <b>€'000</b>     | €'000          |
| <b>Loss for the period</b>                             | <b>(2 427,2)</b> | (3 068,2)      | <b>(1 618,8)</b> | (855,5)        |
| <b>Other comprehensive income</b>                      |                  |                |                  |                |
| Exchange differences on translating foreign operations | 145,9            | 2305,0         | -                | -              |
| Offset share issue registered in 2018                  | -                | -              | -                | -              |
| Currency revaluation effects                           | -                | -              | -                | 17,6           |
| <b>Total comprehensive loss for the year</b>           | <b>(2 281,3)</b> | (763,2)        | <b>(1 618,8)</b> | <b>(837,9)</b> |
| <b>Attributable to</b>                                 |                  |                |                  |                |
| Equity holders of parent                               | (2 329,2)        | (765,5)        |                  |                |
| Non-controlling interest                               | 47,9             | 2,3            |                  |                |
|  | <b>(2 281,3)</b> | <b>(763,2)</b> |                  |                |



## *Consolidated and Parent Company Statement of Financial Position at 31 December 2018*

|  | <i>Note</i> | <b>Group<br/>2018<br/>€'000</b> | <b>Group<br/>2017<br/>€'000</b> | <b>Parent<br/>2018<br/>€'000</b> | <b>Parent<br/>2017<br/>€'000</b> |
|--|-------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| <b>Non-current assets</b>                                  |             |                                 |                                 |                                  |                                  |
| Goodwill   | 10,11       | 7 609,4                         | 6 151,8                         | -                                | -                                |
| Intangible assets  | 10          | 5 503,4                         | 52,3                            | 41,8                             | 52,3                             |
| Tangible assets  | 12          | 205,5                           | 132,8                           | -                                | -                                |
| Investments in subsidiaries                                | 13          | -                               | -                               | 14 258,1                         | 4 074,9                          |
|  |             | <b>13 318,3</b>                 | <b>6 336,9</b>                  | <b>14 299,9</b>                  | <b>4 127,2</b>                   |
| <b>Current assets</b>                                      |             |                                 |                                 |                                  |                                  |
| Inventories  | 14          | 775,3                           | -                               | -                                | -                                |
| Trade and other receivables                                | 15          | 17 992,0                        | 7 577,7                         | 3 294,0                          | 1 638,4                          |
| Cash and cash equivalents                                  |             | 5 924,2                         | 264,9                           | 3,2                              | 3,3                              |
|  |             | <b>24 691,5</b>                 | <b>7 842,6</b>                  | <b>3 297,2</b>                   | <b>1 641,7</b>                   |
| <b>Total assets</b>  |             | <b>38 009,8</b>                 | <b>14 179,5</b>                 | <b>17 597,1</b>                  | <b>5 768,9</b>                   |
| <b>Current Liabilities</b>                                 | 16          | <b>(22 624,4)</b>               | <b>(9 530,8)</b>                | <b>(3 077,1)</b>                 | <b>(2 648,0)</b>                 |
| <b>Total Liabilities</b>                                   |             | <b>(22 624,4)</b>               | <b>(9 530,8)</b>                | <b>(3 077,1)</b>                 | <b>(2 648,0)</b>                 |
| <b>Net assets</b>  |             | <b>15 385,4</b>                 | <b>4 648,7</b>                  | <b>14 520,1</b>                  | <b>3 120,9</b>                   |
| <b>Equity attributable to equity holders of the parent</b> |             |                                 |                                 |                                  |                                  |
| Share capital  | 19          | 76,5                            | 69,7                            | 76,5                             | 69,7                             |
| Share premium  |             | 18 863,2                        | 5 852,0                         | 18 774,4                         | 5 763,2                          |
| Revaluation reserve  |             | 717,7                           | 571,8                           | -                                | -                                |
| Retained earnings  |             | (4 468,7)                       | (1 993,6)                       | (4 330,8)                        | (2 712,0)                        |
|  |             | <b>15 188,7</b>                 | <b>4 499,9</b>                  | <b>14 520,1</b>                  | <b>3 120,9</b>                   |
| <b>Non-controlling interest</b>                            |             | <b>196,7</b>                    | <b>148,8</b>                    | <b>-</b>                         | <b>-</b>                         |
| <b>Total equity</b>  |             | <b>15 385,4</b>                 | <b>4 648,7</b>                  | <b>14 520,1</b>                  | <b>3 120,9</b>                   |

***Consolidated Statement of Changes in Equity***  
*at 31 December 2018*

|  | Share<br>Capital | Share<br>Premium | Revaluation<br>Reserve | Retained<br>Earnings | Non-<br>Controlling<br>Interest | Group<br>Total |
|--|------------------|------------------|------------------------|----------------------|---------------------------------|----------------|
|  | €'000            | €'000            | €'000                  | €'000                | €'000                           | €'000          |
| Balance at 1 January 2017                    | 69,7             | 5852,0           | (1 732,9)              | 1 076,9              | 146,5                           | 5 412,3        |
| Total comprehensive income                   | -                | -                | 2 305,0                | (3 070,5)            | 2,3                             | (763,2)        |
| Costs directly related to IPO<br>share issue | -                | -                | -                      | -                    | -                               | -              |
| Offset issue                                 | -                | -                | -                      | -                    | -                               | -              |
| Share issue                                  | -                | -                | -                      | -                    | -                               | -              |
| <b>Balance at 31 December 2017</b>           | <b>69,7</b>      | <b>5 852,0</b>   | <b>571,8</b>           | <b>(1 993,6)</b>     | <b>148,8</b>                    | <b>4 648,7</b> |

|  | Share<br>Capital | Share<br>Premium | Revaluation<br>Reserve | Retained<br>Earnings | Non-<br>Controlling<br>Interest | Group<br>Total  |
|--|------------------|------------------|------------------------|----------------------|---------------------------------|-----------------|
|  | €'000            | €'000            | €'000                  | €'000                | €'000                           | €'000           |
| Balance at 1 January 2018                    | 69,7             | 5 852,0          | 571,8                  | (1 993,6)            | 148,8                           | 4 648,7         |
| Total comprehensive income                   | -                | -                | 145,9                  | (2 475,1)            | 47,9                            | (2 281,3)       |
| Costs directly related to IPO<br>share issue | -                | -                | -                      | -                    | -                               | -               |
| Offset issue                                 | 3,4              | 4 596,6          | -                      | -                    | -                               | 4 600,0         |
| Share issue                                  | 3,4              | 8 414,6          | -                      | -                    | -                               | 8 418,0         |
| <b>Balance at 31 December 2018</b>           | <b>76,5</b>      | <b>18 863,2</b>  | <b>717,7</b>           | <b>(4 468,7)</b>     | <b>196,7</b>                    | <b>15 385,4</b> |

**Consolidated and Parent Company Statement of Cash Flows**  
for the year ended 31 December 2018

|  | <b>Group<br/>2018<br/>€'000</b> | Group<br>2017<br>€'000 | <b>Parent<br/>2018<br/>€'000</b> | Parent<br>2017<br>€'000 |
|--|---------------------------------|------------------------|----------------------------------|-------------------------|
| <b>Operating activities</b>                                |                                 |                        |                                  |                         |
| Loss before tax  | (2 085,0)                       | (3 068,2)              | (1,618,8)                        | (855,5)                 |
| Non-cash item:   |                                 |                        |                                  |                         |
| Amortisation of intangible assets                          | 148,8                           | 182,8                  | 7,9                              | 182,8                   |
| Depreciation of tangible assets                            | 103,8                           | 74,1                   | -                                | -                       |
| Interest net   | 306,8                           | 67,9                   | -                                | -                       |
| Other non-cash items etc                                   | 357,3                           | 46,4                   | -                                | -                       |
| Interest paid  | -                               | -                      | -                                | -                       |
| Interest received  | -                               | -                      | -                                | -                       |
| Increase (-)/decrease (+) in inventories                   | (535,6)                         | 105,0                  | -                                | -                       |
| Increase (-)/decrease (+) in operating receivables         | (10 505,0)                      | (5 913,3)              | (1 655,6)                        | (1 056,6)               |
| Increase (+)/decrease (-) in operating liabilities         | 18 299,7                        | 5 052,8                | 4 003,2                          | 645,5                   |
| Total change in working capital                            | 7 259,1                         | (755,5)                | 2 347,6                          | (411,1)                 |
| Cash from operations activities                            | <b>6 090,9</b>                  | (3 452,5)              | <b>736,7</b>                     | (1 083,8)               |
| Tax paid   | 205,3                           | (274,4)                | -                                | (274,4)                 |
| <b>Cash flows from operating activities</b>                | <b>6 296,2</b>                  | (3 726,9)              | <b>736,7</b>                     | (1 358,3)               |
| <b>Cash flows from investing activities</b>                |                                 |                        |                                  |                         |
| Investments in intangible assets                           | (647,8)                         | -                      | -                                | -                       |
| Investments in machinery and equipment                     | (176,5)                         | (202,5)                | -                                | (52,3)                  |
| Sales of fixed assets                                      | -                               | -                      | -                                | -                       |
| Business combinations                                      | (9 966,8)                       | -                      | (1 764,8)                        | (458,7)                 |
| <b>Net outflows from investing activities</b>              | <b>(10 791,1)</b>               | (202,5)                | <b>(1 764,8)</b>                 | (511,0)                 |
| <b>Cash flows from financing activities</b>                |                                 |                        |                                  |                         |
| Borrowings   | 1 026,7                         | 1 559,0                | 1 026,7                          | 1 559,0                 |
| Related Party Funding loan                                 | 6,2                             | 683,6                  | -                                | -                       |
| Acquisition of controlling interests                       | 8 457,7                         | -                      | -                                | -                       |
| Dividend   | -                               | -                      | -                                | -                       |
| <b>Net cash used in financing activities</b>               | <b>9 490,7</b>                  | 2 242,6                | <b>1 026,7</b>                   | 1 558,9                 |
| <b>Change in cash and cash equivalents during the year</b> |                                 |                        |                                  |                         |
| Net increase in cash and cash equivalents                  | 4 995,8                         | (1 686,8)              | (1,4)                            | (310,3)                 |
| Foreign exchange translation adjustment                    | 663,5                           | 589,3                  | 1,3                              | 301,7                   |
| <b>Cash and cash equivalents at the beginning of year</b>  | <b>264,9</b>                    | <b>1 362,5</b>         | <b>3,3</b>                       | 11,9                    |
| <b>Cash and cash equivalents at end of year</b>            | <b>5 924,2</b>                  | 264,9                  | <b>3,2</b>                       | 3,3                     |

***Parent Company Statement of Changes in Equity***  
*at 31 December and 2018*

|   | <b>Share<br/>Capital</b> | <b>Share<br/>Premium</b> | <b>Retained<br/>Earnings</b> | <b>Parent<br/>Total</b> |
|---|--------------------------|--------------------------|------------------------------|-------------------------|
|   | €'000                    | €'000                    | €'000                        | €'000                   |
| Balance at 1 January 2017                 | 69,7                     | 5 763,2                  | (1 874,1)                    | 3958,9                  |
| Loss for the year                         | -                        | -                        | (837,9)                      | (837,9)                 |
| Costs directly related to IPO share issue | -                        | -                        | -                            | -                       |
| <b>Balance at 31 December 2017</b>        | <b>69,7</b>              | <b>5 763,2</b>           | <b>(2 712,0)</b>             | <b>3 120,9</b>          |

|   | <b>Share<br/>Capital</b> | <b>Share<br/>Premium</b> | <b>Retained<br/>Earnings</b> | <b>Parent<br/>Total</b> |
|---|--------------------------|--------------------------|------------------------------|-------------------------|
|   | €'000                    | €'000                    | €'000                        | €'000                   |
| Balance at 1 January 2018                 | 69,7                     | 5 763,2                  | (2 712,0)                    | 3 120,9                 |
| Loss for the year                         | -                        | -                        | (1 618,8)                    | (1 618,8)               |
| Costs directly related to IPO share issue | -                        | -                        | -                            | -                       |
| Offset issue                              | 3,4                      | 4 596,6                  | -                            | 4 600,0                 |
| Share issue                               | 3,4                      | 8 414,6                  | -                            | 8 418,0                 |
| <b>Balance at 31 December 2018</b>        | <b>76,5</b>              | <b>18 774,4</b>          | <b>(4 330,8)</b>             | <b>14 520,1</b>         |

*The Notes on pages 13 to 61 form part of these financial statements.*

## *Notes to the financial statements*

### *Corporate Information*

These consolidated financial statements include the Parent Company, Cyber Security 1 AB (“**Cyber1**” or the “**Parent Company**”) corporate identity number 556135-4811, and its subsidiaries (“**the Group**”). Cyber1 is a Swedish public company with its registered office in Stockholm. The address to the head office is Cyber Security 1 AB (Publ), Klarabergsgatan 29 111 21 Stockholm.

This annual report, including the consolidated financial statements, was signed and approved for publication by the board of directors of Cyber1 on 20<sup>th</sup> June 2019. The statements of income and the balance sheets, for the Parent Company and the Group, included in the annual report and the consolidated financial statements, are subject to adoption by the annual general meeting on 4<sup>th</sup> July 2019.

The most important accounting principles applied in the preparation of the financial reports are set out below and, where applicable, in the following notes. Mainly, the same principles are applied for the Parent Company and the Group. The Parent Company’s accounting principles deviating from those applied by the Group, or considered important to describe, are stated under a separate heading below this note.

The financial statements are prepared under the historical cost convention.

#### *Basis of preparation – Parent Company*

##### **Significant accounting policies Parent Company:**

The financial statements of the Parent Company have been prepared in accordance with the Annual Accounts Act and RFR 2 “Reporting in separate financial statements.” RFR 2 requires the Parent Company to use the same accounting principles as for the Group, i.e., IFRS, to the extent allowed by RFR 2. There are no material differences between RFR 2 and IFRS.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

The reporting currency for the consolidated financial statements and the parent company is Euro, which is the functional currency of the Parent Company. Unless otherwise indicated, all amounts are rounded off to the nearest thousand.

## *Accounting policies and explanatory notes to the financial statements*

### **1 Significant Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

#### **1.1 Basis of preparation and compliance with accounting standards**

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU for financial years beginning on or after 1 January 2018. In addition, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board’s recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied.

The Parent Company applies the same accounting policies as the Group, with the exception of those cases specified in Note 1 to the Parent Company financial statements.

#### **1.2 Use of assessments in the financial reports**

Preparing financial reports in accordance with IFRS requires that management make assessments and assumptions that affect the accounting principles and reported amounts for assets, liabilities, revenues and costs. The assessments and assumptions are based on historical experience and a number of other factors that may be considered relevant under the prevailing conditions. The actual outcome may deviate from these assessments and assumptions. Assessments and assumptions are reviewed on a regular basis with changes in assessments recognized in the applicable period.

Assessments made by management on the application of IFRS that have a significant impact on financial reports, and estimations made that could entail material adjustments in subsequent years’ financial reports, are described in greater detail in Note 2 Critical estimates and judgements

## *Notes to the financial statements (continued)*

### **Accounting policies (continued)**

#### **1.3 Change in accounting policy**

##### **IFRS adopted by the EU that came to effect in 2018**

As of January 1, 2018, Cyber1 adopted IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement, as well as IFRS 15 Revenue from Contracts with Customers, which supersedes IAS 18 Revenue and IAS 11 Construction Contracts and the related Interpretations. The application of IFRS 15 Revenue from Contracts with Customers had no material impact on the financial statements of Cyber1. IFRS 15 does not materially affect the revenue and profit recognition of the Cyber1 distribution channel functions. However, the implementation of IFRS 15, Cyber 1 segment reporting has changed as of 2018. This is further described below and in Note 5. IFRS 15 also influenced the timing of revenue recognition from returned goods within the reportable segment VAD and Advisory, constituting an immaterial amount. Other new amendments and interpretations applicable as of January 1, 2018 did not have a material effect on the Group's financial result or position.

All other accounting principles and basis of calculation applied in this report are the same as in the annual report for 2017.

Below is a list of applicable standards/interpretations that have been issued and are effective for periods as described per standard.

##### **The nature and effect of the change from the adoption of IFRS 9 "Financial Instruments"**

IFRS 9 Financial Instruments brings about new principles regarding classification and measurement of financial assets and liabilities, introduces a new expected credit loss model for calculating impairment on financial assets, and implies new requirements for general hedge accounting aimed at simplifying and aligning with the Group's risk management strategies.

IFRS 9 does not have a significant impact on the Group's financial statements, as Cyber1's classification and measurement policies are consistent with the new standard, credit loss amounts are immaterial, and hedge accounting transactions are to be treated in a similar manner under the new standard as before.

The new standard is applied from January 1, 2018. Financial instruments for 2017 in this report are presented in accordance with previous standard, IAS 39.

##### **The nature and effect of the change from the adoption of IFRS 15 "Revenue from Contracts with Customers"**

The main principle of IFRS 15 is that revenue shall be recognised when the control of the promised goods or service is transferred to the customer at the expected consideration for such delivery, including expected outcome of variable consideration.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption. The Group did not apply any of the other available optional practical expedients.

##### ***Sales of value-added distribution products, advisory and managed service solutions***

The Group is in the business of providing VAD (Value Added Distribution) product and sales of Advisory and Managed Services solutions. VAD, Advisory and Managed services are either sold as separated components to customers or integrated together as a platform or turnkey solution. It has been assessed that VAD and advisory solutions as well as managed services meet the criteria for revenue to be recognised over time, on a percentage of completion basis. This is due to the customisation of components to customer specifications (selected options) which means that Cyber1 has no alternative use for the package solution once customisation commences and Cyber1 has a right to payment for work completed to date. The Group's contracts with customers for the sale of advisory, managed services solutions and VAD products generally include one performance obligation. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition. When recognised in accordance with the new IFRS 15, revenue for 2017 equate with the application of previous standards.

## Notes to the financial statements (continued)

### Accounting policies (continued)

#### The nature and effect of the change from the adoption of IFRS 15 “Revenue from Contracts with Customers” (continued)

The new standard has neither material effect on income statement nor the balance sheet.

|                                      | Previously recognised<br>amount<br>2017 | Restated<br>amount<br>2017 | Change |
|--------------------------------------|---|----------------------------|--------|
| <b>Consolidated Income Statement</b> | €'000                                   | €'000                      | €'000  |
| Sales revenue                        | 17 192,9                                | 17 192,9                   | -      |
| Cost of sales                        | (10 566,9)                              | (10 566,9)                 | -      |
| Net Profit/Loss                      | <b>6 626,0</b>                          | <b>6 626,0</b>             | -      |
| EBITA                                | (2 917,5)                               | (2 917,5)                  | -      |
| Profit /Loss before tax              | (3 068,2)                               | (3 068,2)                  | -      |
| Tax                                  | -                                       | -                          | -      |
| <b>Profit/loss for the year</b>      | <b>(3 068,2)</b>                        | <b>(3 068,2)</b>           | -      |

#### New IFRSs and interpretations which have not yet been applied

##### IFRS 16 “Leases”

As of January 1, 2019, Cyber1 will adopt IFRS 16 “Leases”, which will replace IAS 17 Leases and the related Interpretations. IFRS 16 prescribes the principles for the recognition, measurement, presentation and disclosure of leases for both lessee and lessor.

The adoption of IFRS 16 is not expected to have a material impact on the Group’s financial statements.

The new standard will have the effect that most of the Group’s lease contracts will be recognized as right-of use assets and lease liabilities measured at the present value of future lease payments. In the income statement, depreciations of the right-of-use assets and the interest expenses on the lease liabilities will be recognised instead of the lease payments recognised as cost when incurred. The new standard will be dependent on management’s judgement and estimates of certain variables that have a direct impact on the reported balances. An example of this is the assumption on the discount rates to be applied in the measurement of the lease liabilities and the corresponding right-of-use assets. Other judgments that may have significant impact on the reported balances are judgements on the likelihood of using extension and termination options in lease contracts. The assessment of utilizing or not utilizing extension and termination options impacts the lease period of future lease payments included in the measurement of the lease liabilities and the related right-of-use assets.

Contracts or parts of contracts, where the terms provide Cyber1 with the right to control the use of an identified asset for a period of time in exchange for consideration, constitute lease contracts and will thus be recognised as right-of-use assets and lease liabilities on the Group’s balance sheet.

Lease contracts within the Group mainly pertain to real estate leases, such as rental of office premises, warehouses and storages. Real estate leases represent approximately 90 percent of the total value of leases within the Group. The duration of real estate leases is typically 3-5 years, excluding assessments of the likelihood of utilizing extension and termination options. The Group also has some lease contracts for machineries, equipment and vehicles.

In the measurement of the opening balance of IFRS 16 right-of-use assets and lease liabilities, Cyber1 has chosen to apply the practical expedients in IFRS 16 for short-term leases (contracts with a lease term of 12 months or less) and leases for which the underlying asset is of low value. The Group’s lease contracts of low value are mainly leasing of office equipment, furniture, water dispensers, coffee machines and IT equipment for individual use. Such lease contracts will not be included in the Group’s opening balance for lease liabilities and related right-of-use assets and will continue to be reported as operating leases with the lease payments expensed in the income statement when incurred. In addition, leases of intangible assets, such as software, licenses, etc., are also excluded from IFRS 16.

## ***Notes to the financial statements(continued)***

### ***Accounting policies (continued)***

#### ***IFRS 16 “Lease” (continued)***

The Group’s policy for determining the discount rates will be based on the incremental borrowing rate for lease contracts. The key parameters to determine the discount rates will be based on type of underlying asset of the lease contract, the lease term and the economic environment where the asset will operate.

#### ***Transition to IFRS 16***

Cyber1 has chosen to apply the cumulative catch-up approach as the transition method for IFRS 16 in accordance with IFRS 16.C5(b), where the opening balance of a right-of-use asset is set equal to the corresponding lease liability on transition to IFRS 16. In addition, the right-of-use assets, where applicable, will also include pre-paid lease expenses relating to the utilization of the underlying asset applicable to periods after the date of transition.

This transition method will be applied to all types of lease contracts in scope for IFRS 16 to be reported on the balance sheet. This transition method means that comparable financial information will not be restated. Instead, IFRS 16 will be applied on the financial statement prospectively as per January 1, 2019. Furthermore, this transition method implies that for existing lease contracts with a remaining lease term of more than 12 months, at the date of when the new standard will be effective, will be recognised as a lease liability measured as the discounted net present value of the remaining future lease payments of the contract, with the corresponding right-of-use assets recognised on the balance sheet. Consequently, lease contracts for which the lease term ends within 12 months of the date of initial application will be reported as short-term leases, with the lease payments expensed when incurred in accordance with the practical expedients in IFRS 16.C10. The discount rates will be determined as per the date of the transition, i.e. January 1, 2019. The transition to IFRS 16 is not expected to have any effect to be recognised as an adjustment to the opening balance of retained earnings of the annual reporting period starting January 1, 2019.

#### ***Summary of financial impact***

The Group’s reported assets and liabilities will increase due to the recognition of right-of-use assets and lease liabilities. The opening balances for the Group’s lease liabilities and right-of-use assets as per January 1, 2019 amount to 514 TEUR respectively. In the assessment of the measurement of the opening balance for the Group’s lease liabilities, the weighted average discount rate applied was 6.3 percent and the average duration of the lease term was 2.3 years, including assessments of the likelihood of utilizing extension and termination options.

Cyber 1 has assessed that the financial effect on the Group in 2019 is expected to reduce net profit by approximately 14 TEUR mainly relating to higher interest costs on lease liabilities which more than offset reduced operating expenses. Cash flow from financing activities is estimated to be negatively impacted by the amortization of lease liabilities of approximately 32 TEUR, but which is offset by improved cash flow from operating activities.

The Group’s EBITDA is estimated to improve by approximately 189 TEUR in 2019 as lease payments recognised as operating costs when incurred under IAS 17 will be replaced by depreciation costs on the right of-use assets and interest expenses on the related lease liabilities. The Group’s net debt is estimated to increase by 514 TEUR as lease liabilities are classified as financial liabilities. The impact on net debt/EBITA ratio and other key ratios is estimated to be immaterial.

#### ***Reconciliation of operating lease obligations***

Up until December 31, 2018, the Group’s lease contracts are reported as operating leases under IAS 17. As per December 31, 2018, total future minimum lease payments for non-cancellable operating lease contracts amounted to 455 TEUR (undiscounted value).

The difference between lease contracts reported as operating leases under IAS 17 and the IFRS 16 lease liability as per January 1, 2019 mainly pertains to the exemptions of lease payments relating to short-term and low value lease contracts. Furthermore, the Group’s lease liabilities are also increased by future lease payments for periods included from the assessment of the likelihood of using extension options or not utilizing termination options. For further detail, please see the table below.



*Notes to the financial statements(continued)***Accounting policies (continued)****IFRS 16 “Lease” (continued)****Reconciliation operating lease obligations vs. IFRS 16 opening balance lease liabilities**

| TEUR   |            |
|--|------------|
| <b>Total undiscounted lease liabilities at December 31, 2018</b>   | <b>455</b> |
| Less expenses for short-term leases  | (14)       |
| Less expenses for low value leases   | (6)        |
| Adjustments relating to likelihood of using extension/termination options                                  | 44         |
| Adjustments relating to price changes in future lease payments   | 5          |
| <b>Total undiscounted IFRS 16 lease liabilities to be reported in the balance sheet at January 1, 2019</b> | <b>484</b> |
| Discounted effect on lease liabilities   | 30         |
| <b>IFRS 16 opening balance lease liabilities at January 1, 2019</b>  | <b>514</b> |

Cyber1 assesses that IFRS 16 will have a slightly positive impact on EBITA and a slightly negative impact on financial items. Total assets will increase as a result of an increase in non-current assets and net debt.

**1.4 Basis of consolidation**

The consolidated financial statements include the Parent Company and its subsidiaries. The financial statements of the Parent Company and the subsidiaries that are a part of the consolidated financial statements refer to the same period and are prepared in accordance with the same accounting policies.

The consolidated financial statements include the financial statements of the Parent and its subsidiary undertakings made up to 31 December 2018. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## ***Notes to the financial statements(continued)***

### **Accounting policies (continued)**

#### **Basis of Consolidation(continued)**

#### **Acquisition method of accounting**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

- The excess of the consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

#### **Non-controlling interests**

In connection with acquisitions of less than 100 percent, when a controlling influence is achieved, non-controlling interests are determined either as a proportional share of the fair value of identifiable net assets excluding goodwill or at fair value. Non-controlling interests are recognized as a separate item in the Group's equity. The Group's profit or loss and every component of other comprehensive income are attributable to the shareholders of the Parent and to non-controlling interests. Losses attributable to noncontrolling interests are recognized even if this results in a negative balance. Subsequent acquisitions up to 100 percent and divestments of participations in a subsidiary that do not lead to a loss of controlling influence are recognized as equity transactions.

#### **Translation of foreign subsidiaries**

The Group companies prepare their financial statements in their functional currency, i.e. the currency used in the primary economic environment in which they mainly operate. These reports provide the basis for the consolidated accounts which are prepared in Euro, which is the functional currency of the Parent Company and the presentation currency. The income statements and balance sheets of foreign subsidiaries have been translated, from their respective functional currency, to the presentation currency of the Group. All items in the income statements have been translated at the average rate for the reporting period, while assets and liabilities in the balance sheets have been translated at the closing rate. Translation differences are reported in other comprehensive income.

Certain long-term financing related to subsidiaries, where a settlement is not considered to take place in the foreseeable future, is considered as an increase in the Parent Company's net investment in the subsidiaries. Taking the tax effect into consideration, exchange gains and losses are reported in other comprehensive income.

**Notes to the financial statements(continued)****Accounting policies (continued)****1.5 Intangible assets**

An intangible asset is an identifiable non-monetary asset that lacks physical substance. Intangible assets that are identified and measured separately from goodwill from business combinations may include trademark-related, customer-related, contract-related and/or technology-related assets. Typical marketing and customer-related assets are trademarks and customer relationships. Customer contracts and customer relationships are attributable to expected customer loyalty and the cash flow that is expected to arise over the remaining useful lives of these assets. The cost for this type of intangible asset consists of the fair value on the acquisition date, calculated according to established valuation methods.

Development costs are recognised as an intangible asset only if it is sufficiently probable that the development project will generate economic benefits in the future and the cost of the asset can be measured reliably. The cost of capitalised development costs includes only expenses directly attributable to the development project. Other internally generated intangible assets are not recognised as assets. Instead, the costs are recognised as an expense in the period in which they arise.

Separately acquired intangible assets are recognised at cost less accumulated amortisation and impairment.

All intangible assets are amortised on a straight-line basis over their estimated useful lives and are reviewed on every balance sheet date. Amortisation begins when the asset is available for use. Certain trademarks have an unlimited lifetime and are not amortised at all. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date.

**1.6 Business combinations and Goodwill**

Business combinations are recognised according to the acquisition method. When a business combination occurs, the company's assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring costs) are identified and measured at fair value.

If the consideration paid by the Group is greater than the fair value of the identified net assets, the difference is recognised as consolidated goodwill. Goodwill is continuously measured at cost less accumulated impairment. Since it is not possible to individually test goodwill for impairment, goodwill is allocated to one or more cash-generating units, depending on how the goodwill is monitored for internal control purposes. Cyber1 has allocated goodwill to three cash-generating units: Africa, Middle East and Europe.

Goodwill is not amortised but is instead tested for impairment annually. See Note 11 Goodwill and Impairment testing of goodwill.

**1.7 Tangible fixed assets and depreciation**

Property, plant and equipment are physical assets that are used in the Group's operations and have an expected useful life exceeding one year. Property, plant and equipment are initially measured at cost and are depreciated on a straight-line basis over their estimated useful lives. When property, plant and equipment are recognised, any residual value is taken into account when the depreciable amount of the asset is determined. Depreciation begins when the asset is ready to be taken into use. Land is not depreciated. Property, plant and equipment are derecognised from the balance sheet on divestment or when no future economic benefits are expected from either their use or their sale. Any gains or losses are calculated as the difference between the sale proceeds and the asset's carrying amount. The gain or loss is recognised in profit or loss as other expenses or other income in the accounting period when the asset was divested.

The residual value, useful life and depreciation rate of an asset are reviewed at the end of each financial year and adjusted, if necessary, for subsequent periods.

Customary costs for maintenance and repairs are expensed as incurred. However, costs related to significant renewals and improvements are recognised in the balance sheet and depreciated over the remaining useful life of the underlying asset.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Improvement leasehold property over 6 years
- Equipment and other similar equipment over 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

**1.8 Impairment of Intangible and Tangible fixed assets**

If the Cyber1 Group sees internal or external indications that the value of an asset has declined, the asset is to be tested for impairment. For goodwill and assets with indefinite useful lives, such impairment testing is to be carried out at least annually, regardless of whether there is evidence of impairment or not. If an asset cannot be tested separately, it is assigned to a cash-generating unit to which identifiable cash flows can be allocated

**Notes to the financial statements (continued)****Accounting policies (continued)****Impairment of assets (continued)**

An impairment loss is to be recognised for an asset or a group of assets (cash-generating units) if the carrying amount is higher than the recoverable amount. The recoverable amount is the higher of value in use and net realisable value. Impairment losses are recognised in profit or loss.

For all assets except goodwill and intangible assets with indefinite useful lives, an assessment is made on each balance sheet date as to whether there is an indication that an earlier impairment loss, in whole or in part, is no longer justified. If the assumptions underlying the calculation of an asset's recoverable amount have changed, the carrying amount of the asset or assets is increased to its recoverable amount. Such a reversal is to not to exceed the amount the company would have recognised after depreciation and amortisation if the impairment had not been recognised. The reversal is recognised in profit or loss unless the asset is recognised in a restated amount in accordance with another standard.

Goodwill is allocated to different cash-generating units. If the allocation of goodwill cannot be completed before the end of the year during which the acquisition was carried out, the initial allocation should then be carried out before the end of the financial year following the year when the acquisition was carried out. In such cases, amounts relating to non-allocated goodwill and the reason why they have not been allocated should be stated. Impairment of goodwill and intangible assets with indefinite useful lives is not reversed.

**1.9 Parent Company Investments**

Fixed assets investments in the parent consist of investments in subsidiaries and are stated at cost less provision for diminution in value

**1.10 Pensions**

The group operates only defined contribution pension plans. For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The pension costs charged in the financial statements represent the contributions payable by the group during the year.

**1.11 Recognition of foreign currency exchange effects**

Transactions denominated in a currency other than the Group's functional currency are restated at the rate prevailing on the transaction date. Assets and liabilities denominated in a currency other than the Group's functional currency are restated at the closing day rate. Exchange differences are recognised in profit or loss as they arise.

**Receivables and liabilities in foreign currency**

Receivables and liabilities denominated in foreign currency have been restated at the closing day rate. Exchange gains and losses pertaining to operating receivables and liabilities are recognised in operating profit. Exchange differences related to financial assets and liabilities are recognised in financial expenses in net financial items. As of 1 January 2018, exchange differences related to inter-company financial assets and liabilities are recognised in other comprehensive income.

**Exchange Rate**

| Country      | Currency | Average rate |         | Closing rate      |                   |
|--------------|----------|--------------|---------|-------------------|-------------------|
|              |          | 2018         | 2017    | December 31, 2018 | December 31, 2017 |
| Dubai        | AED      | 4.337        | 4.149   | 4.203             | 4.400             |
| UK           | GBP      | 0.885        | 0.876   | 0.898             | 0.888             |
| Kenya        | KES      | 118.628      | 116.799 | 115.774           | 123.568           |
| South Africa | ZAR      | 15.595       | 15.040  | 16.458            | 14.817            |
| USA          | USD      | 1.181        | 1.130   | 1.144             | 1.198             |
| Sweden       | SEK      | 10.254       | 9.637   | 10.213            | 9.839             |
| Turkey       | TRY      | 5.687        | -       | 6.046             | -                 |

## *Notes to the financial statements(continued)*

### **Accounting policies (continued)**

#### **1.12 Leases**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who is the chief executive officer. The operating segments are Africa, Middle East and Europe.

Leases are classified in the consolidated financial statements as either finance or operating leases. A finance lease exists when the financial risks and rewards of ownership are essentially transferred to the lessee.

Assets that are leased under finance leases are recognised as noncurrent assets in the balance sheet and are initially measured at the lower of the fair value of the lease object and the present value of the minimum lease payments when the lease is entered into. The obligation to pay future lease payments is recognised as non-current and current liabilities. The leased assets are depreciated over the useful life of the asset in question, while the lease payments are recognised as interest and repayment of the liability.

Leases where the lessor retains essentially all of the risks and rewards of ownership are classified as operating leases. Operating lease payments.

#### **1.13 Classification and Measurement**

##### **Financial assets**

Debt instruments: The classification of financial assets that are debt instruments is based on the Group's business model for managing the asset and the nature of the contractual cash flows.

Instruments are classified as follows:

- amortised cost
- fair value through other comprehensive income, or
- fair value through profit or loss.

The Group's debt instruments are classified at amortised cost

Financial assets classified at amortised cost are initially measured at fair value plus transaction costs. Accounts receivable and lease receivables are initially recognised at their invoiced amount. After initial recognition, the assets are measured according to the effective interest method. In accordance with the business model, assets classified at amortised cost are held for the purpose of collecting the contractual cash flows, which exclusively comprise payments of the principal and interest on the outstanding principal. The assets are covered by a loss allowance for expected credit losses.

Derivatives: Classified at fair value through profit or loss. The Group does not apply hedge accounting.

Fair value is determined according to the description in Note 18 Financial instruments and financial risk management.

##### **Financial liabilities**

Financial liabilities are classified at amortised cost with the exception of derivatives. Financial liabilities recognised at amortised cost are initially measured at fair value including transaction costs. After initial recognition, they are measured at amortised cost according to the effective interest method.

##### **Comparative year in accordance with IAS 39**

In the 2017 comparative year, financial instruments were recognised in accordance with IAS 39. IAS 39 used different classification categories than IFRS 9. Nevertheless, the classification categories in accordance with IAS 39 resulted in a corresponding recognition at amortised cost, fair value through profit or loss or fair value through other comprehensive income.

Moreover, IAS 39 established a different method for recognising provisions for credit losses, whereby the provision was based on an incurred loss model, unlike the method established in IFRS 9, whereby the provision is based on an expected loss model. As far as the Group is concerned, there are no other differences between the standards. The transition from IAS 39 to IFRS 9 has had no material impact on the Group; see Note 15 Accounts receivable.

#### **1.14 Cash and Bank Balances**

Cash and current bank balances in the balance sheet consist of bank deposits, available cash and demand deposits with a maturity of three months or less from the date of acquisition. Cash and bank balances are subject to the requirements for a loss allowance for expected credit losses.

## ***Notes to the financial statements(continued)***

### ***Accounting policies (continued)***

#### ***1.15 Financial liabilities***

The Group's financial liabilities are divided into two categories:

- Financial liabilities measured at fair value through profit or loss
  - Held-for-trading financial liabilities
  - Financial liabilities initially measured at fair value ("fair value option")
- Financial liabilities measured at amortised cost

#### ***Financial liabilities measured at fair value through profit or loss***

Some of the Group's acquisitions include additional purchase prices. These are recognised as a financial liability measured at fair value through profit or loss. Additional purchase prices have been classified at level 3 since there is no observable market data to apply.

Changes in the value of financial liabilities that are measured at fair value ("fair value option") and are attributable to changes in the credit risk associated with the liability are to be recognised in other comprehensive income.

#### ***Financial liabilities measured at amortised cost***

Liabilities are initially recognised at fair value less transaction costs. In subsequent periods, these liabilities are recognised at amortised cost in accordance with the effective interest method.

Fees paid for loan commitments and borrowings (commitment fees) are recognised as transaction costs and are allocated over the term of the loan commitments/loans in profit or loss. In cases where quoted information/inputs are not available in order to measure financial instruments at fair value, established valuation methods that can be more or less dependent on quoted information/inputs are used.

In some cases, valuation methods based on the company's own assumptions and estimates are applied. The fair values of financial assets and liabilities are assumed to be their nominal values for those assets and liabilities with a term of less than one year. The fair values of financial liabilities are their discounted cash flows. Discounting is carried out at the interest rate that is available to the Group for similar financial instruments.

Purchases and sales of financial instruments are recognised on the trade date, which is the date on which the Group commits to purchase or sell the financial instrument. Financial instruments are derecognised when the right to receive or pay cash flows attributable to the financial instrument expires or has been transferred, or the Group has explicitly transferred all risks, allocations and obligations entailed by the holding of the financial asset or liability.

#### ***Financial Derivatives and Hedge Accounting***

Derivative financial instruments are measured initially and subsequently at fair value. Changes in fair value are recognised through profit or loss unless they comprise part of an effective hedging relationship and hedge accounting is applied. Once a derivative contract has been entered into, the Group chooses to classify the derivative as a fair value hedge, a cash flow hedge or a hedge of a net investment in foreign operations. If a fair value hedge exists and the criteria in IAS 39 have been met, the changes in value are recognised in profit or loss together with changes in the value of the hedged item in the balance sheet. Changes in the value of derivatives that comprise part of an effective hedging relationship are recognised as other comprehensive income. The accumulated change in value for this type of derivative is reversed to profit or loss in the same period in which the hedged item affects profit or loss.

When a hedging instrument is sold, terminated, exercised, revoked or otherwise ceases to meet the criteria for hedge accounting, any gains or losses that have been recognised in other comprehensive income, and ultimately recognised as an adjustment of either expenses or revenue when the planned transaction or assumed obligation is realised, are recognised in profit or loss. However, if a planned transaction or an assumed obligation is no longer expected to occur, the accumulated gain or loss that has been recognised in other comprehensive income for the period in which the hedge applied is immediately transferred to profit or loss.

Cyber1 does not apply hedge accounting.

#### ***Impairment of Financial Assets***

With the exception of financial assets classified at fair value through profit or loss, the Group's financial assets are subject to impairment for expected credit losses. In addition, impairment also encompasses contract assets not measured at fair value through profit or loss. The simplified impairment method can be applied for all of Cyber1's financial assets. In accordance with IFRS 9, impairment losses are recognised prospectively, and a loss allowance is recognised when there is exposure to credit risk, usually on initial recognition. Expected credit losses reflect the present value of all deficits in cash flows attributable to expected losses, either for the next 12 months or for the expected remaining term of the financial instruments, depending on the type of asset and on potential credit deterioration since initial recognition.



## ***Notes to the financial statements(continued)***

### ***Accounting policies (continued)***

#### ***Impairment of financial assets (continued)***

Expected credit losses reflect an objective, probability-weighted outcome taking into consideration multiple scenarios based on reasonable and well-founded forecasts. The calculation of the impairment requirement for doubtful receivables, which are the most material financial assets subject to a loss risk, comprises a combination of a collective and an individual assessment. In the collective assessment, a provision is made for the loss risk for all accounts receivable that are more than 180 days past due. For other accounts receivable, an individual assessment of the loss risk is carried out based on the customer's ability to pay and other relevant factors for individual customers or for the specific market in which the customer operates.

On each balance sheet date, the Cyber1 Group assesses whether there are any objective circumstances that indicate that a financial asset may need to be impaired. Financial assets are recognised in the balance sheet at amortised cost, meaning the net of their gross value and the loss allowance. Changes in the loss allowance are recognised in profit or loss.

#### ***1.16 Income Tax***

##### ***Current tax***

Current tax assets and liabilities for the current and prior periods are measured at the amount that is expected to be recovered from or paid to the respective tax authorities. The Group's current tax is calculated using the tax rates and tax laws enacted or substantively enacted on the balance sheet date.

Current tax attributable to items recognised in equity and in other comprehensive income is recognised in equity and in other comprehensive income and not in profit or loss.

##### ***Deferred tax***

Deferred tax is recognised on the balance sheet date in accordance with the balance sheet method for temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences:

- except when the deferred tax liability arises as a result of impairment of goodwill or when an asset or liability is recognised as part of a transaction that is not a business combination and which, at the time of the transaction, affects neither the recognised gain nor the taxable gain or loss, and
- for deductible temporary differences attributable to investments in subsidiaries, apart from cases where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future

A deferred tax asset is recognised for deductible temporary differences, including loss carry forwards to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amounts of deferred tax assets are reviewed on each balance sheet date and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow part of or the entire deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that apply for the period when the asset is realised or the liability is settled, based on the tax rates (and laws) that have been enacted or substantively enacted on the balance sheet date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax amounts are related to the same entity in the Group and the same tax authority.

#### ***1.17 Recognition of Cash Flow***

Cash and cash equivalents consist of available cash, disposable bank deposits and other short-term investments with a remaining maturity of three months or less from the date of acquisition. Cash received and paid is recognised in the statement of cash flows. Cash flow from operating activities is recognised in accordance with the indirect method.

#### ***1.18 Provision for Expected Credit Losses on Accounts Receivable***

Accounts receivable are initially recognised at transaction price in accordance with IFRS 15 and thereafter at amortised cost. A loss allowance for expected credit losses is made on every balance sheet date in an amount that corresponds to the expected credit losses for the remaining term. The assessment is based on criteria that show whether the risk has changed since the initial measurement date. Loss allowances for expected credit losses are recognised in profit or loss under other operating expenses. See Note 15 Accounts receivable.

#### ***1.19 Deferred Tax assets***

Deferred tax is recognised for temporary differences arising between the tax bases and carrying amounts of assets and liabilities as well as for unutilised loss carry forwards. A deferred tax asset is recognised only to the extent that it is probable it can be utilised against future profit. In the event that the actual outcome differs from the applied assumptions, or management adjusts these assumptions in the future, the value of the deferred tax assets could change.

## *Notes to the financial statements(continued)*

### **Accounting policies** (continued)

#### **1.20 Revenue recognition based on individual assessment**

The Group applies the percentage of completion method on an individual basis for significant customer contracts, meaning contracts with a value of more than EUR 100 thousand and a term of more than three months. The estimate of total contract costs and revenue is critical for revenue recognition and provisions for onerous contracts, and the outcome of additional invoicing may affect profit.

Revenue and cost from the sale of the Company's product and services are recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities. Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed.

Revenue from sale of licences and sale of hardware is recognised when the customer is invoiced. At the same time a corresponding cost of sale is recognised.

Advisory and system integration services at a fixed price are paid in relation to the stage of completion at the balance sheet date (percentage of completion). Completion of an assignment is determined by costs incurred to date with the estimated total expenditure. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent that corresponds to the contract costs incurred that are likely to be recoverable. An anticipated loss on an assignment is reported immediately as a cost.

#### **Other income**

- **Interest income** is recognised as it is earned.
- **Dividends** are recognised when the right to receive the dividend is assured.

#### **1.21 Financing income and expenses**

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

## **2 Key accounting assessments estimates and assumptions**

In preparing the financial statements in accordance with the applicable accounting policies, the Board and CEO are required to make certain estimates and assumptions that impact the carrying amounts of assets, liabilities, income and expenses. The areas where estimates and assumptions are of material importance to the Group and which may affect the financial statements are described below:

#### **Critical Accounting Judgement: Business combinations**

The acquisition of subsidiaries or operations involves that items in the acquired companies' balance sheets as well as items that have not been recognised in the acquired companies' balance sheets, such as customer relations, shall be valued at fair value. Different valuation methods based on number of assumptions are used in fair value determination. Initial accounting is determined provisionally and may be adjusted subsequently. All acquisition calculations are finalised no later than one year after the acquisition is made.

All payments to acquire a subsidiary or operation are recorded at fair value at the acquisition date, including debt related to contingent considerations. The contingent consideration is measured at fair value in subsequent periods with re-measurement through the statement of income.

IFRS Accounting Standard require Directors to form Accounting Policies that gives precedence to the Economic Substance of transactions rather than their legal form.

A list of subsidiaries is presented in note 13 Group companies.



## *Notes to the financial statements(continued)*

### *2. Key accounting assessments, estimates and assumptions(continued)*

#### **Critical Accounting Judgement: Taxes**

Determination of income taxes and deferred taxes when the ultimate tax determination is uncertain requires management judgement. The Group recognises deferred tax assets resulting from carried forward tax losses when the realisation of related tax benefit, due to taxable profits, is probable. However, deferred tax asset is always recognised if it can be utilised to current taxable temporary differences. The assumptions regarding future taxable profits are based on the current business plan and further estimates added by consideration for the uncertainties in the current business plan and further estimates. The Group uses estimates for recognition of liabilities for anticipated tax audit issues based on all available information at the time of recognition.

#### **Critical Accounting Judgement: Going Concern**

The group is building up its capabilities and growing its strategic base, particularly in Europe and the EMEA Region. Whilst core cash flow generation in established geographies is strong, the newly established entities require cash funding. As such the group is reliant on support from its existing and future shareholders and has been in receipt of such cash support in 2018 and thereafter. Previous acquisitions were also funded through this mechanism and that is the expectation for the acquisitions which have already been announced to the market.

Management is fully aware of the cash position, with the expectation of future growth and support from external sources to meet its immediate needs. However, as at reporting date, looking at its current cash position and cashflow projections for the business, the company is dependent on external funding to cover its current cashflow gap. If the company cannot acquire additional external funding or, grow the business sufficiently swiftly, there is a risk that a liquidity deficit will occur. Taken as a whole, this means that there are significant factors of uncertainty that could lead to extensive doubt regarding the ability of the company to continue to be going concern. This may primarily affect the valuation of goodwill at group level and shares in subsidiaries at parent level.

#### **Critical Estimate: Impairment of assets**

The Group reviews each cash generating unit annually, in order to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell, and value in use. These assessments require the use of estimates and assumptions such as discount rates, future capital requirements, and projected growth of each operation. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

Fair value for each operation is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash generating units as comprising an independent operation, which is the lowest level for which cash inflows are largely independent of those of other assets.

An impairment test was carried out on the Group's intangible assets as on December 31, 2018. The most significant portion of the intangible and tangible fixed assets relates to the operations in Africa, Middle East and Europe. For this purpose, a discounted cash flow model has been used extending over a 5-year period. A number of variables are simulated in the model. Among the more important assumptions are growth in EBITDA and the yield required. The base assumption regarding the growth in EBITDA is 5% and the yield required is 12 % per year. The result of the base assumptions is that no impairment is required at year-end 2018.

An impairment tests of significant assets is also performed at the Parent Company level. The impairment test is based on the same model as above. The net present value of the forecasted cash flow is compared to the book values of shares and loans provided by the Parent Company. Where an impairment indicator exists, i.e. the book value exceeds the net present value of the forecasted cash flow, an impairment provision is recorded at year end. The impairment test performed as of December 31, 2018 at the Parent Company level indicated potential default on loan provided. The Parent Company have calculated 25% risk on the weighted average lifetime credit losses of the loan and made an impairment adjustment of TEUR332.5. See Note 15 Accounts receivable.

For the operations in Europe which are started in 2018, an impairment test will be performed as per end of 2019 when the operations have stabilised.

*Notes to the financial statements(continued)*

**3 Financial Instruments and Financial Risk Management**

**3.1 Financial risk management in the Cyber1 Group**

Cyber1 is exposed to a number of financial market risks that the Group is responsible for managing under the finance policy approved by the Board of Directors. The overall objective is to have cost-effective funding in the Group. The financial risks in the Group are mainly managed in relation to the Group’s functional currency, which is EUR. The impact of the financial risks on the Group’s earnings is mainly managed through a weekly exchange of non-EUR cash into EUR and, to only a limited extent, through the use of financial instruments. The main risk exposures for the Group are liquidity risk, interest rate risk, currency risk, credit risk and counterparty risk.

*Carrying value and fair value of the Group’s significant assets and liabilities:*

Beginning January 1, 2018, Cyber1 applies IFRS 9, which contains new principles in how financial assets are classified and measured, determined by the business model in which the financial asset is held. The business models are:

Hold to collect - measured at amortized cost

Hold to collect and sell - measured at fair value through other comprehensive income (FVOCI)

Other - measured at fair value through profit and loss (FVTPL)

The following table shows the transition of the classification and measurement of financial assets between IAS 39 at closing balance December 31, 2017 and IFRS 9 at opening balance January 1, 2018 according to the balance sheet. The classification of the financial assets is based on measurement category for IAS 39 and the business model for IFRS 9

**Carrying value and fair value transition effects**

| TEUR (€'000)                                   | IAS 39   |                  |                       | IFRS 9               |                  |                 | Difference |
|--|--|------------------|-----------------------|----------------------|------------------|-----------------|------------|
|  | Closing balance 2017                                 |                  |                       | Opening balance 2018 |                  |                 |            |
| Categories:                                    | Items carried at fair value via the income statement | Cash flow hedges | Loans and receivables | Other                | Cash flow hedges | Hold to collect |            |
| measured at:                                   | FVTPL  | FVOCI            | Amortized cost        | FVTPL                | FVOCI            | Amortized cost  |            |
| Trade receivables                              | -  | -                | 7 102                 | -                    | -                | 7 102           | -          |
| Other non-current financial receivables        | -  | -                | -                     | -                    | -                | -               | -          |
| Other current assets and financial receivables | -  | -                | -                     | -                    | -                | -               | -          |
| Prepaid expenses and accrued income            | -  | -                | -                     | -                    | -                | -               | -          |
| Cash and cash equivalents                      | -  | -                | 265                   | -                    | -                | 265             | -          |
| <b>Total assets</b>                            | <b>-</b>   | <b>-</b>         | <b>7 367</b>          | <b>-</b>             | <b>-</b>         | <b>7 367</b>    | <b>-</b>   |

Cyber1 uses the following valuation techniques of the fair value hierarchy in determining the fair values of the financial instruments:

Level 1 - Quoted prices (unadjusted) in active markets

Level 2 - Inputs other than quoted prices that are observable, either directly or indirectly

Level 3 - Inputs that are not based on observable market data

The accounting principles related to financial liabilities are essentially unchanged compared with previous years. Cyber1 has updated its accounting principles related to expected credit losses and has, in accordance with the standard, implemented the “expected loss model.”

## Notes to the financial statements(continued)

Carrying value and fair value of the Group's significant assets and liabilities(continued):

The following table shows carrying value and fair value for financial instruments applying IFRS 9 per December 31, 2018

| Carrying value and fair value                  |   |   |                             |                                    |                                   |                      |                      |
|--|---|---|-----------------------------|------------------------------------|-----------------------------------|----------------------|----------------------|
| TEUR (€'000)                                   | Financial instruments measured at FVTPL | Financial assets measured at amortized cost | Other financial liabilities | Cash flow hedges measured at FVOCI | Other receivables and liabilities | Total carrying value | Estimated fair value |
| Trade receivables                              | -                                       | 17 849                                      |                             |                                    |                                   | 17 849               | 17 849               |
| Other current assets and financial receivables | -                                       | -   | -                           | -                                  | 140                               | 140                  | 140                  |
| Cash and cash equivalents                      | -                                       | 5 924                                       | -                           | -                                  | -                                 | 5 924                | 5 924                |
| <b>Total assets</b>                            | <b>-</b>                                | <b>23 773</b>                               | <b>-</b>                    | <b>-</b>                           | <b>140</b>                        | <b>23 913</b>        | <b>23 913</b>        |
| Loans and borrowings                           |   |   | 1 013                       |                                    | 604                               | 1 617                | 1 630                |
| Other current liabilities                      | -                                       | -   | -                           | -                                  | 1 524                             | 1 524                | 1 524                |
| Accrued expenses and deferred income           | -                                       | -   | -                           | -                                  | 352                               | 352                  | 352                  |
| Trade payables                                 | -                                       | -   | 19 118                      | -                                  | -                                 | 19 118               | 19 118               |
| <b>Total liabilities</b>                       | <b>-</b>                                | <b>-</b>                                    | <b>20 131</b>               | <b>-</b>                           | <b>2 480</b>                      | <b>22 611</b>        | <b>22 624</b>        |

The following table shows carrying value and fair value for financial instruments applying IAS 39 per December 31, 2017

| Carrying value and fair value                  |  |                       |                             |                  |                                   |                      |                      |
|--|--|-----------------------|-----------------------------|------------------|-----------------------------------|----------------------|----------------------|
| TEUR (€'000)                                   | Items carried at fair value via income statement | Loans and receivables | Other financial liabilities | Cash flow hedges | Other receivables and liabilities | Total carrying value | Estimated fair value |
| Trade receivables                              | -  | 7 102                 | -                           | -                | -                                 | 7 102                | 7 102                |
| Other current assets and financial receivables | -  | -                     | -                           | -                | -                                 | -                    | -                    |
| Cash and cash equivalents                      | -  | 265                   | -                           | -                | -                                 | 265                  | 265                  |
| <b>Total assets</b>                            | <b>-</b>   | <b>7 367</b>          | <b>-</b>                    | <b>-</b>         | <b>-</b>                          | <b>7 367</b>         | <b>7 367</b>         |
| Loans and borrowings                           | -  | -                     | 1 600                       | -                | 643                               | 2 243                | 2 253                |
| Other current liabilities                      | -  | -                     | -                           | -                | 207                               | 207                  | 207                  |
| Accrued expenses and deferred income           | -  | -                     | -                           | -                | 294                               | 294                  | 294                  |
| Trade payables                                 | -  | -                     | 6 777                       | -                | -                                 | 6 777                | 6 777                |
| <b>Total liabilities</b>                       | <b>-</b>   | <b>-</b>              | <b>8 377</b>                | <b>-</b>         | <b>1 144</b>                      | <b>9 521</b>         | <b>9 531</b>         |

**Notes to the financial statements(continued)**

Carrying value and fair value of the Group's significant assets and liabilities(continued):

| DISTRIBUTION BY LEVEL WHEN MEASURED AT FAIR VALUE                      |                   |         |           |           |                   |         |           |           |
|--|-------------------|---------|-----------|-----------|-------------------|---------|-----------|-----------|
| TEUR (€'000)   | December 31, 2018 |         |           |           | December 31, 2017 |         |           |           |
|  | Level 1           | Level 2 | Level 3   | Total     | Level 1           | Level 2 | Level 3   | Total     |
| <b>FINANCIAL ASSETS</b>  |                   |         |           |           |                   |         |           |           |
| <b>Financial assets measured at fair value through profit or loss:</b> |                   |         |           |           |                   |         |           |           |
| Derivative financial instruments – hedge accounting                    | -                 | -       | -         | -         | -                 | -       | -         | -         |
| <b>Total financial assets</b>  | -                 | -       | -         | -         | -                 | -       | -         | -         |
| <b>FINANCIAL LIABILITIES</b>   |                   |         |           |           |                   |         |           |           |
| <b>Financial liabilities at fair value through profit or loss:</b>     |                   |         |           |           |                   |         |           |           |
| Contingent considerations  | -                 | -       | 13        | 13        | -                 | -       | 10        | 10        |
| Derivative financial instruments – hedge accounting                    | -                 | -       | -         | -         | -                 | -       | -         | -         |
| <b>Total financial liabilities</b>                                     | -                 | -       | <b>13</b> | <b>13</b> | -                 | -       | <b>10</b> | <b>10</b> |

**Financial instruments, level 2**

The fair value of financial instruments that are not traded on an active market are determined by means of available valuation techniques. Market information is used when available. The use of corporate-specific information is avoided whenever possible. If all important in-data required for a fair value valuation of an instrument is observable, the instrument is in level 2. Specific valuation techniques used in the valuation of financial instruments include, for example, listed market prices, fair value for interest-rate swaps, calculated as the present value of estimated future cash flows based on observable yield, fair value of currency forward contracts determined through the use of rates for currency foreign exchange contracts on the balance sheet date.

**Financial instruments, level 3**

The change during the year for instruments at level 3 refers to contingent considerations. Contingent considerations are valued at the fair value based on data available such as conditions set forth in the purchase agreement and current assessments of the estimated fulfilment of the conditions.

| MOVEMENTS FINANCIAL INSTRUMENTS LEVEL 3 |           |           |
|---|-----------|-----------|
| Contingent considerations               | 2018      | 2017      |
| Opening balance January 1               | 10        | 0         |
| Payments                                | -10       | -         |
| Reversals                               | -         | -         |
| Revaluations                            | 13        | 10        |
| Translation differences                 | -         | -         |
| <b>Closing balance December 31</b>      | <b>13</b> | <b>10</b> |

No transfer in or out of level 3 or level 2 has been made during the fourth quarter 2018. The recognised amounts are regarded as reasonable estimates for all items measured at carrying value in the balance sheet, except for loans and borrowings, as these amounts have a long time to maturity. The fair value of loans and borrowings differ from their carrying value as a consequence of changes in the market interest rates. Items not valued at fair value in the balance sheet are measured at amortized cost.

**(a) Customer Credit risk**

Management's assessment is that there is no significant concentration of credit risk with any individual customer, counterparty or geographical region for Cyber1.

## Notes to the financial statements (continued)

### 3. Financial Instruments (continued)

#### 3.1 Financial risk factors, (a) Credit risk (continued)

The Group's exposures to credit risk as at the end of the reporting periods based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets are analysed as follows:

|                                       | <b>2018</b><br><b>€'000</b> | 2017<br>€'000 |
|---------------------------------------|-----------------------------|---------------|
| Trade and other receivables (Note 15) | <b>17 848,6</b>             | 7 101,8       |
| Cash and cash equivalents             | <b>5 924,2</b>              | 264,9         |

Credit concentration risk also exists with respect to the Group's cash equivalents, which are held with a reputable financial institution of high-quality standing or rating.

As at 31 December 2017, the Company's trade and other receivables were fully performing. The Company assesses the credit quality of its trade and other receivables considering the financial position, experience and other factors relating to the debtor.

*The concentration of credit risk for trade receivables at the balance sheet date by geographic region was:*

|                     | <b>2018</b><br><b>€'000</b> | 2017<br>€'000 |
|---------------------|-----------------------------|---------------|
| Africa              | <b>2 801,9</b>              | 4 900,3       |
| Middle East and UAE | <b>3 326,5</b>              | 1 986,6       |
| Europe              | <b>11,720,2</b>             | 215,0         |
| <b>Total</b>        | <b>17 848,6</b>             | 7 101,8       |

There are no significant concentrations of credit risk within the Group unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date. The Group has established procedures to minimise the risk of default by trade debtors including credit checks undertaken before a customer is accepted. Historically, these procedures have proved effective in minimising the level of impaired and past due debtors.

#### *Credit quality of financial assets and impairment losses*

The aging of trade receivables at the balance sheet date was:

| <b>Credit Risk re: Movement in allowance for Impairment</b> |                                  |                                       |                                  |                                       |
|---|----------------------------------|---------------------------------------|----------------------------------|---------------------------------------|
|   | <b>Gross</b><br><b>2018</b><br>€ | <b>Impairment</b><br><b>2018</b><br>€ | <b>Gross</b><br><b>2017</b><br>€ | <b>Impairment</b><br><b>2017</b><br>€ |
| not past due  | <b>6 810,1</b>                   | -                                     | 3 275,5                          | -                                     |
| Past due [0-30 days]  | <b>1 726,6</b>                   | -                                     | 2 929,0                          | -                                     |
| Past due [31-120 days]                                      | <b>9 311,9</b>                   | -                                     | 897,2                            | -                                     |
| More than 120 days  | <b>332,5</b>                     | 332,5                                 | -                                | -                                     |
| <b>Total</b>  | <b>18 181,1</b>                  | <b>332,5</b>                          | <b>7 101,8</b>                   | <b>-</b>                              |

An assessment of the recoverability of Trade and other receivables shows an impairment indicator of 332,5 TEUR overdue trade receivables during the year (2017: €nil). Therefore, the carrying value of Trade and other receivables fair value as at 31 December 2018 is 17 848,6.

*Notes to the financial statements(continued)*

**3. Financial Instruments (continued)**

**3.1 Financial risk factors, (a) Credit risk (continued)**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

|                            | Group        |          | Parent   |          |
|----------------------------|--------------|----------|----------|----------|
|                            | 2018         | 2017     | 2018     | 2017     |
|                            | €            | €        | €        | €        |
| Balance at 1 January       | -            | -        | -        | -        |
| Impairment loss recognised | 332,5        | -        | -        | -        |
| Impairment loss reversed   | -            | -        | -        | -        |
| Balance at 31 December     | <u>332.5</u> | <u>-</u> | <u>-</u> | <u>-</u> |

**Provision for Expected Bad debt Losses**

|  | 2018         | 2017     |
|--|--------------|----------|
| Opening balance  | -            | -        |
| Acquired companies                                       | -            | -        |
| Change in provision during the year                      | 332,5        | -        |
| Reversal of previous provisions                          | -            | -        |
| Realised loss on previously reserved accounts receivable | -            | -        |
| Exchange differences                                     | -            | -        |
| Balance at 31 December                                   | <u>332.5</u> | <u>-</u> |

The review carried out prior to the implementation of the new standard confirmed that the new standard would not have a material impact on the financial statements. Cyber Security 1 AB has therefore not carried out any remeasurement that impacted the opening equity for 2018.

No pledged assets (collateral) have been received for accounts receivable.

**Transaction Exposure**

The Cyber1 Group's policy for transaction exposure is to minimise the impact of short-term changes in foreign exchange rates for currencies other than EUR by hedging the transaction exposure on a case-by-case basis. The main transaction exposures arise in EUR against local currencies.

**Transaction Risk and Hedges in the Main Currencies**

Cyber1 has outstanding hedges for its transaction exposure in SEK/EUR.

Hedge accounting is not applied.

*Notes to the financial statements (continued)*

**3. Financial Instruments (continued)**

**3.1 Financial risk factors (continued)**

**(b) Market Risk**

**Foreign exchange risk**

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Group takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. To reduce its currency exposure, the Group generally matches its asset and liability positions represented by the amounts due by acquirers and other payment service providers and the relative amounts due to the merchants.

The net open currency exposure at the end of the reporting period is detailed below.

| <b>31 December 2018</b>                                   | <b>Sterling</b> | <b>US Dollar</b> | <b>SEK</b>      | <b>TRY</b>      | <b>KES</b>      | <b>AED</b>      | <b>ZAR</b>      | <b>Total</b>     |
|---|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| <b>Sensitivity to Change in exchange rate</b>             | <b>'€ (000)</b> | <b>'€ (000)</b>  | <b>'€ (000)</b> | <b>'€ (000)</b> | <b>'€ (000)</b> | <b>'€ (000)</b> | <b>'€ (000)</b> | <b>'€ (000)</b>  |
| <b>Trade receivables</b>                                  |                 |                  |                 |                 |                 |                 |                 |                  |
| <b>31 December 2018</b>                                   |                 |                  |                 |                 |                 |                 |                 |                  |
| <b>Sensitivity to Change in exchange rate</b>             |                 |                  |                 |                 |                 |                 |                 |                  |
| Balance sheet exposure                                    | 36,9            | 17,0             | 451,0           | 6 410,6         | 165,7           | 3 326,5         | 2 636,2         | <b>13 043,8</b>  |
| <b>Absolute effect from -10% in Exchange rate to Euro</b> | <b>3,7</b>      | <b>1,7</b>       | <b>45,1</b>     | <b>641,1</b>    | <b>16,6</b>     | <b>332,6</b>    | <b>263,6</b>    | <b>1 304,4</b>   |
| <b>Absolute effect from -20% in Exchange rate to Euro</b> | <b>7,4</b>      | <b>3,4</b>       | <b>90,2</b>     | <b>1 282,1</b>  | <b>33,1</b>     | <b>665,3</b>    | <b>527,2</b>    | <b>2 608,8</b>   |
| <b>Trade payables</b>                                     |                 |                  |                 |                 |                 |                 |                 |                  |
| <b>31 December 2018</b>                                   |                 |                  |                 |                 |                 |                 |                 |                  |
| <b>Sensitivity to Change in exchange rate</b>             |                 |                  |                 |                 |                 |                 |                 |                  |
| Balance sheet exposure                                    | (353,6)         | (57,6)           | (758,5)         | (4859,9)        | (36,6)          | (3155,1)        | (4992)          | <b>(14143,2)</b> |
| <b>Absolute effect from -10% in Exchange rate to Euro</b> | <b>(35,4)</b>   | <b>(5,8)</b>     | <b>(75,9)</b>   | <b>(486,0)</b>  | <b>(3,7)</b>    | <b>(315,5)</b>  | <b>(492,2)</b>  | <b>(1 414,3)</b> |
| <b>Absolute effect from -20% in Exchange rate to Euro</b> | <b>(70,7)</b>   | <b>(11,5)</b>    | <b>(151,7)</b>  | <b>(972,0)</b>  | <b>(7,3)</b>    | <b>(631,0)</b>  | <b>(984,4)</b>  | <b>(2 828,6)</b> |
| <b>Cash and cash equivalents</b>                          |                 |                  |                 |                 |                 |                 |                 |                  |
| <b>31 December 2018</b>                                   |                 |                  |                 |                 |                 |                 |                 |                  |
| <b>Sensitivity to Change in exchange rate</b>             |                 |                  |                 |                 |                 |                 |                 |                  |
| Balance sheet exposure                                    | 21,2            | 3,4              | 0,0             | 831,4           | 47,6            | 781,6           | 3 107,0         | <b>4 792,1</b>   |
| <b>Absolute effect from -10% in Exchange rate to Euro</b> | <b>2,1</b>      | <b>0,3</b>       | <b>0,0</b>      | <b>83,1</b>     | <b>4,8</b>      | <b>78,2</b>     | <b>310,7</b>    | <b>479,2</b>     |
| <b>Absolute effect from -20% in Exchange rate to Euro</b> | <b>4,2</b>      | <b>0,7</b>       | <b>0,0</b>      | <b>166,3</b>    | <b>9,5</b>      | <b>156,3</b>    | <b>621,4</b>    | <b>958,4</b>     |

## Notes to the financial statements (continued)

### 3. Financial Instruments (continued)

#### 3.1 Financial risk factors, (b) Market Risk (continued)

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments

| 31 December 2018              | Sterling<br>€  | US Dollar<br>€ | Euro<br>€      | SEK<br>€       | TRY<br>€       | KES<br>€     | AED<br>€     | ZAR<br>€     | Total<br>€     |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|--------------|--------------|--------------|----------------|
| Cash and cash equivalents     | 21,2           | 3,4            | 1 132,1        | -              | 831,4          | 47,6         | 781,6        | 3 107,0      | 5 924,2        |
| Trade receivables             | 36,9           | 17,0           | 4 804,7        | 451,0          | 6 410,6        | 165,7        | 3 326,5      | 2 636,2      | 17 848,6       |
| secured bank loans            | -              | -              | -              | -              | -              | -            | -            | -            | -              |
| Other loans                   | -              | -              | (1 630,2)      | -              | -              | -            | -            | -            | (1 630,2)      |
| Trade payables                | (353,6)        | (57,6)         | (4 974,4)      | (758,5)        | (4 859,9)      | (36,6)       | (3 155,1)    | (4 922,0)    | (19 117,7)     |
| <b>Balance sheet exposure</b> | <b>(295,6)</b> | <b>(37,1)</b>  | <b>(667,8)</b> | <b>(307,5)</b> | <b>2 382,1</b> | <b>176,7</b> | <b>953,0</b> | <b>821,2</b> | <b>3 024,9</b> |

| 31 December 2017              | Sterling<br>€  | US Dollar<br>€ | Euro<br>€        | SEK<br>€       | TRY<br>€ | KES<br>€     | AED<br>€     | ZAR<br>€     | Total<br>€       |
|-------------------------------|----------------|----------------|------------------|----------------|----------|--------------|--------------|--------------|------------------|
| Cash and cash equivalents     | 58,9           | 0,1            | 21,6             | -              | -        | 57,7         | 39,1         | 87,6         | 264,9            |
| Trade receivables             | 48,6           | 18,0           | 148,3            | -              | -        | 305,7        | 1 986,6      | 4 594,5      | 7 101,8          |
| secured bank loans            | -              | -              | -                | -              | -        | -            | -            | -            | -                |
| Other loans                   | -              | -              | (2 252,3)        | -              | -        | -            | -            | -            | (2 252,3)        |
| Trade payables                | (215,9)        | (1,7)          | (176,7)          | (572,4)        | -        | (127,9)      | (1 558,4)    | (4 124,1)    | (6 777,0)        |
| <b>Balance sheet exposure</b> | <b>(108,3)</b> | <b>16,3</b>    | <b>(2 259,1)</b> | <b>(572,4)</b> | <b>-</b> | <b>235,5</b> | <b>467,3</b> | <b>558,0</b> | <b>(1 662,6)</b> |

#### Exchange Rate

| Country      | Currency | Average rate |         | Closing rate      |                   |
|--------------|----------|--------------|---------|-------------------|-------------------|
|              |          | 2018         | 2017    | December 31, 2018 | December 31, 2017 |
| Dubai        | AED      | 4.337        | 4.149   | 4.203             | 4.400             |
| UK           | GBP      | 0.885        | 0.876   | 0.898             | 0.888             |
| Kenya        | KES      | 118.628      | 116.799 | 115.774           | 123.568           |
| South Africa | ZAR      | 15.595       | 15.040  | 16.458            | 14.817            |
| USA          | USD      | 1.181        | 1.130   | 1.144             | 1.198             |
| Sweden       | SEK      | 10.254       | 9.637   | 10.213            | 9.839             |
| Turkey       | TRY      | 5.687        | -       | 6.046             | -                 |



*Notes to the financial statements(continued)*

**3. Financial Instruments (continued)**

**3.1 Financial risk factors, (b) Market Risk(continued)**

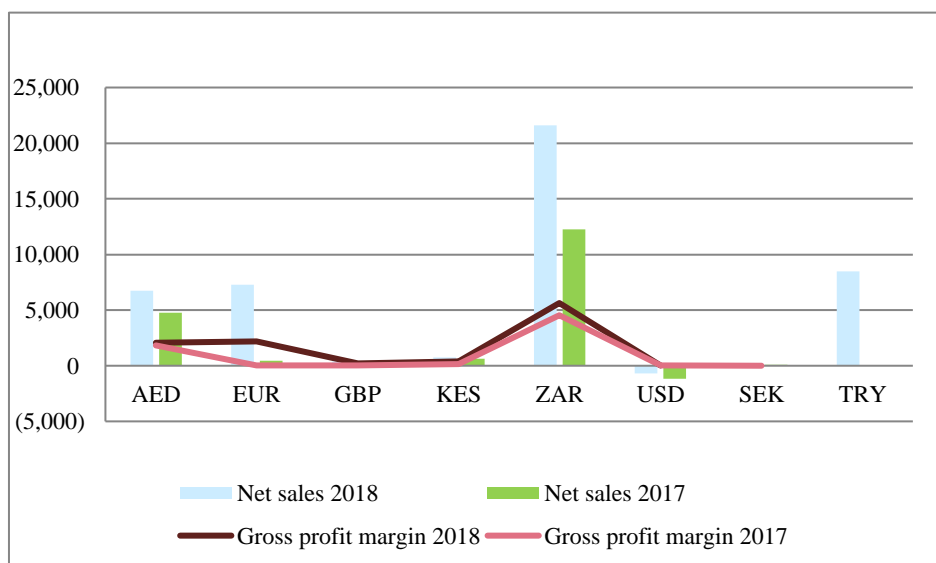
**IMPACT ON OPERATING RESULT OF A 1 PERCENT WEAKENING OF EUR, TEUR**

| Currency         | December 31, 2018 | December 31, 2017 |
|------------------|-------------------|-------------------|
| USD              | 1                 | 1                 |
| SEK              | -10               | -10               |
| GBP              | 1                 | 1                 |
| AED              | -4                | -4                |
| ZAR              | -16               | -15               |
| Other currencies | -119              | -117              |
| Turkey           | -6                | -                 |

The Group’s net sales and gross profit margin by currency for 2017/18 are shown in the following diagram.

**NET SALES AND GROSS PROFIT MARGIN PER CURRENCY**

**TEUR**



**Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets that mature in the long-term, its income and operating cash flows are substantially independent of changes in market interest rates. The Company’s cash flow interest rate risk arises from cash and cash equivalents. Up to the reporting date, the Company did not have any hedging policy with respect to interest rate risk as exposure to such risk was not deemed to be significant by the directors since these assets are of a short-term nature.

Management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to fair value interest rate risk.

**Notes to the financial statements (continued)**

**3. Financial Instruments (continued)**

**3.1 Financial risk factors (continued)**

**(c) Liquidity risk**

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally settlement processing obligations and other liabilities. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

The Company manages this risk, by monitoring future cash flows together with changes in available liquidity on a regular basis. Senior management is updated on a regular basis on the cash flow position of the Company.

The Company's financial projections reveal that the financial performance of the Company is expected to improve in the foreseeable future thereby generating net cash inflows after the end of the reporting period.

**3.2 Capital Risk Management**

The Group's capital structure should be maintained at a level that ensures the ability to advance the business in order to generate returns for the shareholders and benefits for other stakeholders, while at the same time maintaining an optimal capital structure to reduce capital costs.

To maintain or adjust the capital structure, the Group may, upon approval by the shareholders and external lenders when appropriate, vary the dividend that is paid to the shareholders, reduce the share capital to enable payments to the shareholders, issue new shares or sell assets to reduce its debt. The Group continuously analyses the relationship between debt and equity as well as the relationship between debt and equity including loans from shareholders.

**NET DEBT/EQUITY RATIO**

| <b>EUR thousand</b>                                  | <b>Note</b> | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|--|-------------|--------------------------|--------------------------|
| Interest-bearing liabilities                         |             | 1 630                    | 2 252                    |
| Cash and cash equivalents and short-term investments |             | -5 924                   | -265                     |
| Net debt   |             | -4 294                   | 1 987                    |
| Total equity   |             | 15 385                   | 4 649                    |
| <b>Total capital</b>                                 |             | <b>11 091</b>            | <b>6 636</b>             |
| <b>Net debt/Equity ratio</b>                         |             | <b>-0.28</b>             | <b>0.43</b>              |

The net debt/equity ratio was -0.28 compared to 0.43 to prior fiscal year. See Note 3.3 for more information on interest-bearing liabilities.

**3.3 Interest Bearing Liabilities**

**Maturity Analysis: Financial Liabilities**

| <b>TEUR(€'000)</b>                                | <b>2018</b>      |                            |               | <b>2017</b>      |                            |             |              |
|---|------------------|----------------------------|---------------|------------------|----------------------------|-------------|--------------|
|   | <b>&lt; 1 yr</b> | <b>&gt; 1 yrs&lt; 5yrs</b> | <b>Total</b>  | <b>&lt; 1 yr</b> | <b>&gt; 1 yrs&lt; 5yrs</b> | <b>5yrs</b> | <b>Total</b> |
| Loans   | 1 027            | 604                        | 1 630         | 1 569            |                            | 684         | 2 252        |
| Finance leases                                    | -                | -                          | -             | -                |                            | -           | -            |
| Accounts payable                                  | 19 118           | -                          | 19 118        | 6 777            |                            |             | 6 777        |
| Derivative financial instruments – outflow, gross | -                | -                          | -             | -                |                            | -           | -            |
| Derivative financial instruments – inflow, gross  | -                | -                          | -             | -                |                            | -           | -            |
| Other liabilities                                 | 1 876            | -                          | 1 876         | 501              |                            |             | 501          |
| <b>Total</b>                                      | <b>22 022</b>    | <b>604</b>                 | <b>22 624</b> | <b>8 847</b>     |                            | <b>684</b>  | <b>9 530</b> |

All amounts in currencies other than EUR are translated at the closing day rate and interest payments on loans with variable interest have been calculated at the closing day rate. The weighted average interest rate on external loans and borrowings, including margins and the effects of interest rate hedges, was 3.00% (3.50).

## Notes to the financial statements (continued)

### 4 Business Combinations

The fair value of assets and liabilities identified on the acquisition date are presented below

For acquisitions of service companies, not only is consideration paid for the net asset value of the company but also a surplus value, for example, for the acquisition of new customer relationships and knowledgeable, well-educated and experienced employees. A service company's employees are its single most important value creator, but they are not recognised as an asset in the acquired businesses. Therefore, they represent the goodwill and intangible arising in the Cyber1 Group together with the expected synergies between existing and acquired units.

On January 1, 2018, Cyber1 recognised the 100 percent acquisitions of Cognosec GmbH (Austria), Intact Software Distribution (Pty) Ltd and A-tek Distribution Limited within the Group consolidation.

On June 13, 2018, it was announced that an agreement to acquire Itway (Turkey) and Itway (Greece), two subsidiaries of a leading VAD solutions company, had been concluded. Itway markets and sells VAD (Value Added Distribution /System Integration) products and services. The purchase price for the shares was EUR 10m, and takeover of net debt amounted to approximately EUR 5,44m. The acquisition is fully debt free-funded. The transaction, which was subject to customary regulatory approvals, was closed on July 13, 2018.

Through these transactions Cyber1 assumed all service contract revenues as well as business services and personnel, which in effect will bring Cyber1 closer to its customers in those regions.

The table below presents the acquired assets and liabilities at fair values recognized in the Group's balance sheet at the acquisition date, including goodwill, and the effect from the acquisition on the Group's cash flow:

| (Thousand Euro)   | Fair value reported in the Group |               |
|---|----------------------------------|---------------|
| Property, plant and equipment                               |                                  | 104           |
| Intangible  |                                  | 499           |
| Long-term receivables and other non-current assets          |                                  | -             |
| Inventory   |                                  | 589           |
| Trade receivables and current assets                        |                                  | 10,026        |
| Total liquid funds  |                                  | 1,553         |
| Trade liabilities and other current liabilities             |                                  | 6,491         |
| Deferred tax liability                                      |                                  | 1,096         |
| <b>Net identifiable assets and liabilities</b>              |                                  | <b>5,184</b>  |
| Expected Losses   |                                  | -1,268        |
| Group Intangible and goodwill                               |                                  | 6,633         |
| <b>Total consideration paid</b>                             |                                  | <b>10,549</b> |
| Less acquired liquid funds                                  |                                  | 1,553         |
| <b>Net effects on Group's liquid funds from acquisition</b> |                                  | <b>8,996</b>  |

The goodwill associated to the acquisition represents the opportunity for Cyber1 to broaden our product offer in line with our vision. No part of the goodwill value is expected to be deductible for tax purposes.

Acquisition costs are mainly pertaining to consultancy fees relating to the due diligence process. Acquisition costs are recognised in profit and loss as administration costs.

No contingent liabilities arising from the acquisition have been identified.

## Notes to the financial statements(continued)

### 5 Segment Information

The geographical markets of the operating segment of the Group are set out below:  
IFRS is applied by all segments and by the Group as a whole

| <b>Segmental sales revenue</b>                           |               |               |                            |               |              |                            |
|--|---------------|---------------|----------------------------|---------------|--------------|----------------------------|
|  | <b>2018</b>   |               |                            | <b>2017</b>   |              |                            |
| <b>Primary geographical markets</b>                      | <b>VAD</b>    | <b>AM S</b>   | <b>2018 Total Segments</b> | <b>VAD</b>    | <b>AMS</b>   | <b>2017 Total Segments</b> |
| <b>Revenue</b>   | <b>€'000</b>  | <b>€'000</b>  | <b>€'000</b>               | <b>€'000</b>  | <b>€'000</b> | <b>€'000</b>               |
| Africa   | 9 763         | 11 329        | 21 093                     | 6 141         | 5 849        | 11 990                     |
| UAE  | 6,074         | 415           | 6 489                      | 3 843         | 623          | 4 465                      |
| Europe   | 14 607        | 1,761         | 16 368                     | 33            | 705          | 738                        |
| <b>External customer sales</b>                           | <b>30 445</b> | <b>13 505</b> | <b>43 950</b>              | <b>10 016</b> | <b>7 177</b> | <b>17 193</b>              |
| Timing of revenue recognition                            |               |               |                            |               |              |                            |
| <b>Goods and services transferred at a point in time</b> | 30 445        | 13 505        | 43 950                     | 10 016        | 7 177        | 17 193                     |
| <b>Total revenue from contracts with customers</b>       | <b>30 445</b> | <b>13 505</b> | <b>43 950</b>              | <b>10 016</b> | <b>7 177</b> | <b>17 193</b>              |

The following tables' present revenue and profit information for the Group's operating segments for 2018 and 2017, respectively:

#### **2018 operating segments**

|                             | <b>VAD</b>    | <b>AMS</b>    | <b>Total segments</b> | <b>eliminations</b> | <b>Consolidated</b> |
|-----------------------------|---------------|---------------|-----------------------|---------------------|---------------------|
|                             | <b>€'000</b>  | <b>€'000</b>  | <b>€'000</b>          | <b>€'000</b>        | <b>€'000</b>        |
| <b>Revenue</b>              |               |               |                       |                     |                     |
| External customer           | 30 868        | 13 769        | 45 231                | (687)               | 43 950              |
| Inter-segment               | (423)         | (264)         | (687)                 | 687                 | -                   |
| <b>Total revenue</b>        | <b>30,445</b> | <b>13 505</b> | <b>43 950</b>         | <b>-</b>            | <b>43 950</b>       |
| <b>Results</b>              |               |               |                       |                     |                     |
| <b>Segment gross margin</b> | <b>6 579</b>  | <b>4 840</b>  | <b>11 419</b>         | <b>21</b>           | <b>11 440</b>       |

#### **2017 operating segments**

| <b>Segments</b>             | <b>VAD</b>    | <b>AMS</b>   | <b>Total segments</b> | <b>eliminations</b> | <b>Consolidated</b> |
|-----------------------------|---------------|--------------|-----------------------|---------------------|---------------------|
|                             | <b>€'000</b>  | <b>€'000</b> | <b>€'000</b>          | <b>€'000</b>        | <b>€'000</b>        |
| <b>Revenue</b>              |               |              |                       |                     |                     |
| External customer           | 10 705        | 7 651        | 18 356                | (1 163)             | 17 193              |
| Inter-segment               | (689)         | (474)        | (1 163)               | 1,163               | -                   |
| <b>Total revenue</b>        | <b>10,016</b> | <b>7 177</b> | <b>17 193</b>         | <b>-</b>            | <b>17 193</b>       |
| <b>Results</b>              |               |              |                       |                     |                     |
| <b>Segment gross margin</b> | <b>3 288</b>  | <b>3 338</b> | <b>6 626</b>          | <b>-</b>            | <b>6 626</b>        |

## Notes to the financial statements (continued)

### 5 Segment Information (continued)

#### Adjustments and eliminations

Finance income, finance costs, taxes and fair value gains and losses on certain financial assets and liabilities are not allocated to individual segments as these are managed on an overall group basis. These are included in adjustments and eliminations in the segment disclosures.

| Reconciliation of profit           | 2018           | 2017           |
|------------------------------------|----------------|----------------|
| <b>Segment profit</b>              | 11 440         | 6 626          |
| Administrative expenses            | (14 090)       | (9 763)        |
| Finance income                     | 634            | 16             |
| Finance costs                      | (215)          | (84)           |
| Inter-segment profit/(elimination) | 146            | 137            |
| <b>Loss before tax</b>             | <b>(2 085)</b> | <b>(3 068)</b> |

#### Tangible and Intangible Assets per Segment

| 2018                          | Africa         | Middle East  | Europe         | Total           |
|-------------------------------|----------------|--------------|----------------|-----------------|
| Tangible Assets per Segment   | €'000          | €'000        | €'000          | €'000           |
| Intangible Assets per Segment | 40,7           | 26,0         | 138,8          | 205,5           |
| Total per segment             | 5 398,1        | 941,8        | 6 772,8        | 13 112,7        |
|                               | <b>5 438,8</b> | <b>967,8</b> | <b>6 911,6</b> | <b>13 318,2</b> |

| 2017                          | Africa         | Middle East  | Europe      | Total          |
|-------------------------------|----------------|--------------|-------------|----------------|
| Tangible Assets per Segment   | €'000          | €'000        | €'000       | €'000          |
| Intangible Assets per Segment | 123,1          | 3,1          | 6,6         | 132,8          |
| Total per segment             | 5 210,1        | 941,8        | 52,3        | 6 204,2        |
|                               | <b>5 333,2</b> | <b>944,9</b> | <b>58,9</b> | <b>6 336,9</b> |

#### Reconciliation between EBITDA per Segment and Operating profit/(Loss) per Segment

| 2018                           | Africa       | Middle East  | Europe           | Total            |
|--------------------------------|--------------|--------------|------------------|------------------|
|                                | €'000        | €'000        | €'000            | €'000            |
| EBITDA                         | 192,5        | 278,7        | (2 365,9)        | (1 894,7)        |
| Non-cash impacting items       | (58,9)       | (2,4)        | (191,2)          | (252,5)          |
| <b>Operating profit/(Loss)</b> | <b>133,6</b> | <b>276,3</b> | <b>(2 557,1)</b> | <b>(2 147,2)</b> |

| 2017                           | Africa       | Middle East    | Europe           | Total            |
|--------------------------------|--------------|----------------|------------------|------------------|
|                                | €'000        | €'000          | €'000            | €'000            |
| EBITDA                         | 268,0        | (692,7)        | (2 537,6)        | (2 962,3)        |
| Non-cash impacting items       | (76,7)       | (3,6)          | (172,1)          | (252,4)          |
| <b>Operating profit/(Loss)</b> | <b>191,3</b> | <b>(696,3)</b> | <b>(2 709,7)</b> | <b>(3 214,7)</b> |

## Notes to the financial statements(continued)

### 6 Salaries and other Salary Remuneration

|   |                |               |
|---|----------------|---------------|
|   | <b>2018</b>    | 2017          |
| <b>Total Remuneration Senior management and Other staff</b> | <b>€'000</b>   | €'000         |
| Board of directors, CEO and key management                  | 750,3          | 754,0         |
| Other Staff   | 7 599,7        | 5 654,7       |
| <b>Group</b>  | <b>8 350,0</b> | <b>6408,7</b> |
| <i>Of which Pension and Salary Overhead Costs</i>           | <i>699,6</i>   | <i>537,0</i>  |

|  |              |              |
|--|--------------|--------------|
|  | <b>2018</b>  | 2017         |
| <b>Board of Directors' Remuneration</b>      | <b>€'000</b> | €'000        |
| Board fee                                    | 146,3        | 38,9         |
| Consulting services                          | 8,6          | 107,7        |
| <b>Total remuneration Board of Directors</b> | <b>154,9</b> | <b>146,6</b> |

|  |              |              |
|--|--------------|--------------|
|  | <b>2018</b>  | 2017         |
| <b>CEO and Key Management Remuneration</b>       | <b>€'000</b> | €'000        |
| CEO  | 265,7        | 275,5        |
| Key management                                   | 329,7        | 331,8        |
| <b>Total Remuneration CEO and Key Management</b> | <b>595,4</b> | <b>607,3</b> |

CEO remuneration consisted of salary 157 TEUR (2017: 113 TEUR) and Bonus 96 TEUR (2017: 99 TEUR)

Key Management consists of the Business Managers for Africa, Middle East and Europe.  
Remuneration consisted of salary 330 TEUR (2017: 233 TEUR) and Bonuses of 96 TEUR (2017: 99 TEUR).

|   |                |               |
|---|----------------|---------------|
| <b>Salaries and other Salary Remuneration</b>     | <b>2018</b>    | 2017          |
| <b>Totals for Parent Company and Subsidiaries</b> | <b>€'000</b>   | €000          |
| Parent Company                                    | 254,9          | 242,3         |
| Subsidiaries                                      | 8 095,1        | 6166,3        |
| <b>Group</b>                                      | <b>8 350,0</b> | <b>6408,6</b> |

| Board members                          | Role            | Board fee<br>SEK | Salary<br>SEK | Bonus<br>SEK | Consulting fee<br>SEK | Total<br>SEK     |
|--|-----------------|------------------|---------------|--------------|-----------------------|------------------|
| Kobus Paulsen                          | Chairman        | 100,000          | -             | -            | -                     | 100,000          |
| Lord David Blunkett                    | Director        | 300,000          | -             | -            | -                     | 300,000          |
| Patrick Boylan                         | Deputy Chairman | 200,000          | -             | -            | -                     | 200,000          |
| Neira Jones                            | Director        | 300,000          | -             | -            | 88,379                | 388,379          |
| Daniel Holden                          | Former Director | -                | -             | -            | -                     | -                |
| Lord Anthony St John<br>of Bletso      | Director        | 300,000          | -             | -            | -                     | 300,000          |
| Daryn Stilwell                         | Director        | 300,000          | -             | -            | -                     | 300,000          |
| <b>Total Remuneration to the Board</b> |                 | <b>1,500,000</b> | -             | -            | <b>88,379</b>         | <b>1,588,379</b> |

**Notes to the financial statements (continued)**

**Note 6 – Salaries and other Salary Remuneration (continued)**

Salaries to the CEO and other senior executives are established by the Board. Salary level is to be based on market conditions in relation to qualifications and performance. In addition to fixed salary, variable remuneration may include a maximum bonus of 100% of fixed salary. This policy may be deviated from with the express consent of the Remuneration Committee. The outcome of the bonus is mainly based on the attainment of financial targets.

The company uses only premium-based pension solutions for senior executives. These pension solutions vary between 3% and 8% of annual fixed salary.

The notice period for senior executives is between three and six months. The CEO has a notice period of three months and termination benefits are paid during this period. In the event of termination of employment on the part of the company, the notice period is three months.

Other benefits include company car benefits, car allowances and health insurance.

The CEO and three other members of the Group Management Team are entitled to terminate their employment with the right to receive severance pay in accordance with the terms of their individual employment contracts if a major organizational change should occur that significantly restricts their position, and/or they are not offered equivalent employment terms.

**Personnel**

The average number of employees, including temporary employees, in the Parent Company during 2018 was 6, and in the Group 188. The corresponding numbers in 2017 were 7 and 139, respectively. The increase in the average number of employees primarily relates to the expansion of VAD (valued added distribution) product services in the UK and Europe.

Group employees by region are summarized in the table below:

| Average no. of employees per Segment | 2018                        |                  | 2017                        |                  |
|--------------------------------------|-----------------------------|------------------|-----------------------------|------------------|
|                                      | Average number of employees | (of whom men, %) | Average number of employees | (of whom men, %) |
| <b>Parent Company</b>                |                             |                  |                             |                  |
| CYBER1                               | 6                           | 67               | 7                           | 100              |
| <b>Subsidiaries</b>                  |                             |                  |                             |                  |
| Africa                               | 112                         | 59               | 112                         | 61               |
| Middle East                          | 20                          | 27               | 15                          | 88               |
| UK & Europe                          | 50                          | 69               | 5                           | 58               |
| <b>Total</b>                         | <b>188</b>                  | <b>63</b>        | <b>139</b>                  | <b>72</b>        |

*Notes to the financial statements(continued)*

**Note 6 – Salaries and other Salary Remuneration (continued)**

**Split between Men and Women**

| <b>Average number of staff in Full Time Employment (FTE)</b> | <b>Female</b> | <b>Male</b> | <b>2018 Total</b> | <b>Female</b> | <b>Male</b> | <b>2017 Total</b> |
|--|---------------|-------------|-------------------|---------------|-------------|-------------------|
| <b>Parent Company*</b>                                       | 2             | 4           | 6                 | -             | 2           | 2                 |
| <b>Subsidiaries</b>  |               |             |                   |               |             |                   |
| Africa   | 39            | 73          | 112               | 37            | 72          | 109               |
| Middle East  | 4             | 16          | 20                | 4             | 12          | 16                |
| Europe   | 24            | 26          | 50                | 2             | 10          | 12                |
| <b>Subsidiaries</b>  | <b>67</b>     | <b>115</b>  | <b>182</b>        | <b>41</b>     | <b>93</b>   | <b>137</b>        |
| <b>Total</b>   | <b>69</b>     | <b>119</b>  | <b>188</b>        | <b>41</b>     | <b>95</b>   | <b>139</b>        |

\*The Parent Company had no employees during 2018 or 2017; Director's for the Parent Company's Board of Directors and a contracted consultant performed duties for the Parent Company.

**Split between Men and Women**

| <b>Board of Directors and key management (Average FTE)</b> | <b>Female</b> | <b>Male</b> | <b>2018 Total</b> | <b>Female</b> | <b>Male</b> | <b>2017 Total</b> |
|--|---------------|-------------|-------------------|---------------|-------------|-------------------|
| <b>Parent Company</b>                                      |               |             |                   |               |             |                   |
| Board of Directors   | 1             | 5           | 6                 | 2             | 7           | 9                 |
| CEO and Key Management                                     | 1             | 2           | 3                 | 1             | 1           | 2                 |
| <b>Group</b>   |               |             |                   |               |             |                   |
| Board of Directors   | 1             | 5           | 6                 | 2             | 7           | 9                 |
| CEO and Key Management                                     | 1             | 4           | 5                 | 1             | 1           | 2                 |

*Remuneration and other benefits to Group Management Team*

Application of principles on variable salary for 2018. In order to ensure alignment with long term shareholder interests, to strengthen the retention element of the variable salary and to promote company shareholding among the Group Management Team (“GMT”) the variable salary includes a cash incentive and a long-term share incentive program. The performance period for the long-term programs will be between three to five years.

- Variable salary pertains to accruals charged to the consolidated income statement during the year for short term incentive programs.
- Other benefits pertain to company cars, medical insurance, club membership and other benefits.
- Reported pension costs correspond to service costs for defined benefit pension plans and fees relating to defined contribution pension plans (excluding payroll taxes)
- During 2018 and 2017 no earnings-related compensation has been paid to the Group Management Team
- During 2018 and 2017 no severance has been paid to the Group Management Team.



## Notes to the financial statements (continued)

### 7 Audit and consulting fees

|   | <b>Group</b> | Group       | <b>Parent</b> | Parent |
|---|--------------|-------------|---------------|--------|
|   | <b>2018</b>  | 2017        | <b>2018</b>   | 2017   |
|   | <b>€'000</b> | €'000       | <b>€'000</b>  | €'000  |
| <b>PwC</b>  |              |             |               |        |
| Group and statutory audit fee                       | 45,4         | 46,7        | 45,4          | 46,7   |
| Audit fees other than group or statutory audit      | 28,6         | 53,9        | 28,6          | 53,9   |
| Tax advise  | -            | -           | -             | -      |
| Accounting advisory services                        | 22,2         | 23,7        | 22,2          | 23,7   |
| <b>Total PwC Audit and Advisory fees</b>            | <b>96,2</b>  | 124,3       | <b>96,2</b>   | 124,3  |
| <b>Subsidiary auditors</b>                          |              |             |               |        |
| Statutory audit fee                                 | 24,4         | 25,9        |               |        |
| Audit fees other than statutory audit fee           | 13,3         | 13,8        |               |        |
| <b>Total Subsidiary Audit and Advisory fees</b>     | <b>37,7</b>  | <b>39,7</b> |               |        |
| <b>Total Cognosec Group Audit and Advisory fees</b> | <b>133,8</b> | 164,0       |               |        |

Audit assignment refers to auditing of the annual report and financial accounts and the administration by the Board as well as other audit tasks that are incumbent upon the company's auditors.

### 8 Depreciation, amortisation and write-downs

|  | <b>Group</b> | Group        | <b>Parent</b> | Parent       |
|--|--------------|--------------|---------------|--------------|
|  | <b>2018</b>  | 2017         | <b>2018</b>   | 2017         |
|  | <b>€'000</b> | €'000        | <b>€'000</b>  | €'000        |
| Amortisation of intangible assets          | 151,3        | 182,8        | 182,8         | 182,8        |
| Depreciation of tangible assets            | 101,3        | 83,4         | -             | -            |
| <b>Total Amortisation and Depreciation</b> | <b>252,6</b> | <b>266,2</b> | <b>182,8</b>  | <b>182,8</b> |

During the year €148,8 TEUR was written in respect of amortisation of Intangible Customer relation assets. The amount is charged against Intangible in group to the lower of its fair value remeasurement. This has been included in the Group's "administrative costs" (see Note 10).

*Notes to the financial statements (continued)*

**9 Income Tax**

|  | <b>Group</b> | Group   | <b>Parent</b> | Parent |
|--|--------------|---------|---------------|--------|
|  | <b>2018</b>  | 2017    | <b>2018</b>   | 2017   |
|  | € 000        | € 000   | € 000         | € 000  |
| <b>Current tax recognised via the Income Statement</b>                     |              |         |               |        |
| Current tax recognised via the income statement                            | 342,2        | 136,8   | -             | -      |
| <b>Total current tax</b>   | <b>342,2</b> | 136,8   | -             | -      |
| <b>Deferred Income Tax recognised via the Income Statement</b>             |              |         |               |        |
| Deferred tax expense/(income) on temporary differences CFC profits/ losses | 33,3         | (136,8) | -             | -      |
| <b>Total deferred tax expense/(benefit)</b>                                | <b>33,3</b>  | (136,8) | -             | -      |
| Tax related to prior years   | 33,3         | -       | -             | -      |
| <b>Total Tax recognised via the Income Statement</b>                       | <b>342,2</b> | -       | -             | -      |
| <b>Tax recognised via Equity</b>   |              |         |               |        |
| Deferred Tax from IPO costs recognised over Equity                         |              | -       |               |        |
| <b>Tax recognised via Equity</b>   |              |         |               |        |
| <b>Tax expenses recognised in profit or loss</b>                           | <b>342,2</b> | -       | -             | -      |

The parent company recognises and pays tax on CFC (Controlled foreign corporation) taxable profits from its wholly owned subsidiaries in Dubai since these companies are affected by Swedish CFC taxations rules (Swedish corporate income tax legislation; Chapter 39 7a §).

| <b>Reconciliation between tax on accounting profit at the aggregate group Tax rate and tax in the Income Statement</b> | <b>Group</b>   | Group     | <b>Parent</b> | Parent  |
|--|----------------|-----------|---------------|---------|
|  | <b>2018</b>    | 2017      | <b>2 018</b>  | 2 017   |
|  | € 000          | € 000     | € 000         | € 000   |
| Loss before taxes  | (2 085,0)      | (3 068,2) | (1 618,8)     | (855,5) |
| Parent: Tax expense at 22% (2017:22%)  |                |           | (356,1)       | (188,2) |
| Group: Tax expense at the aggregate* tax rate of 30% (2017:30%)  | (625,5)        | (920,5)   | -             | -       |
| Differences between tax at aggregate tax rate and tax at actual rates  | 930,0          | (479,0)   | -             | -       |
| Tax losses not recognised as deferred tax assets   | (646,7)        | 1 399,4   | 188,2         | 188,2   |
| <b>Tax expense</b>   | <b>(342,2)</b> | -         | -             | -       |

\*The applicable tax rate is the aggregate of the national income tax rates for the Groups Subsidiaries

Unused tax losses for which no deferred tax asset has been recognised amount to 4 011 TEUR.

**Notes to the financial statements**(continued)**10 Intangible assets**

Intangible assets contain goodwill, customer relationships and other intangible assets. Other intangible assets mainly consist of acquired technology. Amortization of intangible assets is reported in the income statement and allocated to functions as applicable. There are no intangible assets related to manufacturing processes or the like, therefore no amortization is allocated to cost of goods sold.

**Goodwill**

Goodwill comprises the positive amount by which the sum of (i) the cost of shares in subsidiaries, (ii) the value of non-controlling interest and (iii) the fair value of previously held equity interest exceeds the fair value of the Group's share of acquired identifiable net assets at acquisition. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis, or more frequently if indicated. See also section Impairment.

**Customer relations and other intangible assets**

Intangible assets also include Cyber1 brand, technology, brands, and customer relations. In conjunction with the acquisition of such assets, the acquisition values are reported as assets, which are amortized on a straight-line basis over the estimated useful life.

**Amortisation Periods:**

|                       |             |
|-----------------------|-------------|
| Software & Technology | 5–10 years  |
| Brands                | 5–10 years  |
| Customer relations    | 14–20 years |

**Impairment**

The carrying amount of a depreciated asset is tested for impairment whenever there are indications that the carrying amount might not be recoverable. If there are indications of impairment, the asset's recoverable amount is calculated. The recoverable amount consists of the higher of the value in use of the asset in operations and the value that would be received if the asset was sold to a third party, the net realizable value. Value in use consists of all incoming and outgoing payments attributable to the asset during the period it is expected to be used in operations, plus the net realizable value at the end of the useful life. If the calculated recoverable amount is less than the carrying amount, impairment is made to the asset's recoverable amount. An impairment loss recognized in previous periods is reversed if the reasons for the impairment no longer exist. However, a reversal will not be higher than the carrying amount would have been if an impairment loss had not been recognized in previous periods. Goodwill is subject to annual impairment testing even if there are no indications of impairment. The carrying amount of goodwill is allocated to cash generating units. When testing for impairment of goodwill, the assets are grouped in cash-generating units and assessments are made on the basis of these units' future cash flows. Impairment losses on goodwill are not reversed. All impairment losses, and any reversals of the same, are recognized in the income statement.

**Estimates and assessment**

For the Group, the most significant estimates and assumptions are those relating to impairment testing of goodwill. This means that the effect on the financial reports may be considerable if the estimates and assessments made would prove to deviate significantly from the actual outcome. In connection with impairment testing of goodwill the carrying amount is compared with the recoverable amount. The recoverable amount is determined by the higher of an asset's net realizable value and its value in use. Normally, it is not possible to determine the net realizable value. Therefore, the value in use is normally the value being compared with the carrying amount. Thus, each cash generating unit's value in use is calculated in assessing any impairment of goodwill. Calculations are performed through discounting future estimated cash flows. In order to perform the calculations a number of assumptions concerning future circumstances and estimates of parameters are made, for example growth and discount rate. Any adjustments of the assumptions made could have an effect on the carrying amount of the goodwill. Assuming a lower growth rate would lead to a lower recoverable amount. A higher discount rate would also lead to a lower recoverable amount. Goodwill amounted to 7 609, 4 TEUR (2017: 6 263 TEUR).

During the year the Group recognised Intangible Customer Relations assets of 4,315 TEUR NBV after amortisation and; the Goodwill shows a balance of 7 609 TEUR in 2018, (2017: 6 512 TEUR), as there were no impairments in both periods.

## Notes to the financial statements (continued)

### Note 10 – Intangible assets (continued)

|  | Group          |                 |                        |                         | Parent Company  |                         |                      |
|--|----------------|-----------------|------------------------|-------------------------|-----------------|-------------------------|----------------------|
|  | Goodwill       | Expected losses | Customer relationships | Other intangible assets | Total Group     | Other intangible assets | Total Parent Company |
| Accumulated acquisition value January 1, 2018          | 6 151,9        | -               | -                      | 52,3                    | 6 204,1         | 52,3                    | 52,3                 |
| Business combinations                                  | 1 457,5        | 1 268,4         | 4 463,7                | -                       | 7 189,6         | -                       | -                    |
| Reclassifications                                      | -              | -               | -                      | -                       | -               | -                       | -                    |
| Purchases/Capitalization                               | -              | -               | -                      | 574,0                   | 574,0           | -                       | -                    |
| Divestments/Disposals                                  | -              | -               | -                      | -                       | -               | -                       | -                    |
| Translation differences                                | -              | -               | -                      | -                       | -               | -                       | -                    |
| <b>Accumulated acquisition value December 31, 2018</b> | <b>7 609,4</b> | <b>1 268,4</b>  | <b>4 463,7</b>         | <b>626,3</b>            | <b>13 967,7</b> | <b>52,3</b>             | <b>52,3</b>          |
| Accumulated amortization January 1, 2018               | -              | -               | -                      | -                       | -               | -                       | -                    |
| Reclassifications                                      | -              | -               | -                      | -                       | -               | -                       | -                    |
| Divestments/Disposals                                  | -              | -               | -                      | -                       | -               | -                       | -                    |
| Amortization for the year                              | -              | -556,3          | -148,8                 | -149,9                  | -856,4          | -10,5                   | -10,5                |
| Translation differences                                | -              | -               | -                      | -                       | -               | -                       | -                    |
| <b>Accumulated amortization December 31, 2018</b>      | <b>-</b>       | <b>-556,3</b>   | <b>-148,8</b>          | <b>-149,9</b>           | <b>-856,4</b>   | <b>-10,5</b>            | <b>-10,5</b>         |
| <b>Carrying amount December 31, 2018</b>               | <b>7 609,4</b> | <b>712,1</b>    | <b>4 314,9</b>         | <b>476,4</b>            | <b>13 112,8</b> | <b>41,8</b>             | <b>41,8</b>          |
| Accumulated acquisition value January 1, 2017          | 6 151,9        | -               | -                      | -                       | 6 151,9         | 52,3                    | 52,3                 |
| Business combinations                                  | -              | -               | -                      | -                       | -               | -                       | -                    |
| Reclassifications                                      | -              | -               | -                      | -                       | -               | -                       | -                    |
| Purchases/Capitalization                               | -              | -               | -                      | 52,3                    | 52,3            | -                       | -                    |
| Divestments/Disposals                                  | -              | -               | -                      | -                       | -               | -                       | -                    |
| Translation differences                                | -              | -               | -                      | -                       | -               | -                       | -                    |
| <b>Accumulated acquisition value December 31, 2017</b> | <b>6 151,9</b> | <b>-</b>        | <b>-</b>               | <b>52,3</b>             | <b>6 204,1</b>  | <b>52,3</b>             | <b>52,3</b>          |
| Accumulated amortization January 1, 2017               | -              | -               | -                      | -                       | -               | -                       | -                    |
| Reclassifications                                      | -              | -               | -                      | -                       | -               | -                       | -                    |
| Divestments/Disposals                                  | -              | -               | -                      | -                       | -               | -                       | -                    |
| Amortization for the year                              | -              | -               | -                      | -                       | -               | -                       | -                    |
| Translation differences                                | -              | -               | -                      | -                       | -               | -                       | -                    |
| <b>Accumulated amortization December 31, 2017</b>      | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>                | <b>-</b>        | <b>-</b>                | <b>-</b>             |
| <b>Carrying amount December 31, 2017</b>               | <b>6 151,9</b> | <b>-</b>        | <b>-</b>               | <b>52,3</b>             | <b>6 204,1</b>  | <b>52,3</b>             | <b>52,3</b>          |

Other intangible assets mainly relate to technology acquired through business combinations, as well as other capitalised costs such as software and branding licences. expected losses relates to deferred bargain-purchase amount of the acquisition of Cognosec GmbH Austria. Total expected losses on acquisition was 1 268 TEUR of which 556 TEUR was recognised in the P&L and 712 TEUR deferred during the year for those future losses or expenses occur.

## Notes to the financial statements (continued)

### 11 Impairment test of Goodwill

Goodwill is tested for impairment every year in order to assure that the carrying amount of each of the Group's cash-generating units is not higher than its recoverable amount. The Group's cash-generating units equal the geographic regions, which also constitute the Group's operating segments. The carrying amount equals capital employed and the recoverable amount for each cash-generating unit is determined based on a calculation of value in use for each unit. The allocation of goodwill to cash-generating units (operating segments) is shown in the following table.

#### Goodwill by segment

| TEUR         | December 31, 2018 | December 31, 2017 |
|--------------|-------------------|-------------------|
| Africa       | 5 398,1           | 5 210,1           |
| Middle East  | 941,8             | 941,8             |
| Europe       | 1 269,5           | -                 |
| <b>Total</b> | <b>7 609,4</b>    | <b>6 151,9</b>    |

The Group acquired the following subsidiaries in the below table. The acquired companies are active in the Cybersecurity industry as Software Resellers and Distributors and providers of overall Cybersecurity solutions. The Acquisitions are in line with the overall strategy of the Cyber1 AB Group.

| Final Acquisition analysis   | Dynamics Recovery Services | Credence SA  | Credence (UAE) | Professional Technologies Ltd | Credence UK  | Intact Software (PTY) | ITWAY'S        | Total            |
|--|----------------------------|--------------|----------------|-------------------------------|--------------|-----------------------|----------------|------------------|
| % of shares acquired   | 74%                        | 100%         | 100%           | 100%                          | 100%         | 100%                  | 100%           |                  |
| Value acquired assets  | 2 443,7                    | 328,8        | 2 023,9        | 678,4                         | 123,1        | 190,2                 | 11 457,3       | <b>17 245,4</b>  |
| Value acquired liabilities   | -1 960,0                   | -311,2       | -1 900,2       | -476,4                        | -56,1        | -143,2                | -8 059,8       | <b>-12 906,9</b> |
| <b>Value of acquired Net Assets</b>                                  | <b>483,7</b>               | <b>17,6</b>  | <b>123,7</b>   | <b>202,0</b>                  | <b>67,0</b>  | <b>47,0</b>           | <b>3 397,4</b> | <b>4 338,5</b>   |
| Adjustment Fair Value of Assets and Liabilities                      | -1 022,4                   | -37,2        | -261,5         | -427,0                        | -81,7        | -                     | 1 159,0        | <b>-670,7</b>    |
| Purchase consideration (Allocated based on Fair Value of net Assets) | 3 162,5                    | 107,2        | 804,0          | 1 286,4                       | 275,0        | 235,0                 | 10 000,0       | <b>15870,1</b>   |
| Add in of NCI NA Intangible: Customer relationships                  | -129,3                     | -            | -              | -                             | -            | -                     | -              | <b>-129,3</b>    |
| <b>Goodwill</b>  | <b>3 571,9</b>             | <b>126,8</b> | <b>941,8</b>   | <b>1 511,4</b>                | <b>289,7</b> | <b>188,0</b>          | <b>979,8</b>   | <b>7 609,4</b>   |

Goodwill recognised from this acquisition amount to 7609 TEUR and is attributable to the workforce and the profitability of the acquired business.

The group recognised the non-controlling interests Dynamic Recovery Services (Pty) Ltd at its fair value, therefore the recognised value of the non-controlling interests its proportionate share of the acquired net identifiable assets. See note 1.4 for the group's accounting policies for business combinations.

**Notes to the financial statements (continued)**

**Note 11 Impairment test (continued)**

Below table is a summary of paid considerations for the acquisitions as well as the Fair Value of acquired Assets and Liabilities.

| <b>Purchase Consideration</b>                   | <b>Group</b>    |
|---|-----------------|
|   | <b>2018</b>     |
| <b>Consideration</b>                            | <b>€ 000</b>    |
| Fair Value of Non-Controlling Interest          | -129,3          |
| Cash Consideration                              | 3 908,2         |
| Non-Cash Consideration                          | 11 962,0        |
| <b>Total Consideration</b>                      | <b>15 740,9</b> |
| Less total net assets                           | 4 338,5         |
| Adjustment Fair Value of Assets and Liabilities | -670,7          |
| Intangible: Customer relationships              | 4 463,7         |
| <b>Goodwill</b>                                 | <b>7 609,4</b>  |

Goodwill shows a balance of 7609,4 TEUR in 2017 and 2017 6 151,9 TEUR, there were no impairments in both periods.

None of the recognised Goodwill will be deductible for corporate income tax purposes.

**Impairment testing of Goodwill**

Recognised Goodwill has an indefinite useful life, Management therefore tests Goodwill annually for impairment or at any time an impairment indicator is identified.

The recoverable Value for Goodwill with an indefinite live has been calculated based on the Value in use that management expects to realise. The value in use has been calculated based on the future expected cash flows generated in the five-year period 2019 to 2023. Future expected cashflows were identified as follows:

- 2019: Free Cash Flows detailed in the 2018 Business Plan that was approved by the Board of Directors.
- 2019-2023: Free Cash Flows based on an assumed p.a growth in Free Cash Flow of 5% from the 2019 level.
- Terminal value after 2023 estimates a growth rate of 2%

The growth rate assumed for the period 2019-2023 does not exceed the long-term growth rate for the markets in which the businesses operate in. Key assumptions used are based on management’s experience.

Key assumptions in the determination of the Value in Use of Goodwill

|                       | <b>Africa</b> | <b>United Arab Emirates</b> | <b>Europe</b> |
|-----------------------|---------------|-----------------------------|---------------|
| <b>2018-12-31</b>     |               |                             |               |
| Growth rate 2019-2023 | 5%            | 5%                          | 5%            |
| WACC                  | 12.4%         | 10.4%                       | 12.3%         |
| <b>2017-12-31</b>     |               |                             |               |
| Growth rate 2018-2023 | 20%           | 20%                         | NA            |
| WACC                  | 11.5%         | 11.5%                       | NA            |

The value in use for each unit is derived from discounted cash flows, based on estimated future cash flows. The estimates are based on the current financial actuals and expected future development up to five years. Assumptions regarding sales volume, sales prices, operating expenses and product mix form the basis for estimated future growth and margin development. Volume assumptions are based on historical outcome, the executive management’s expectations on market development, and expected global market growth. Price assumptions are based on current market trends and inflation forecasts. Margin development is based on current margin levels and product mix adjusted for expected price changes and possible changes in the product mix. For periods to five years, the extrapolation of expected cash flows has been assumed to be a prudent 5 percent (2017:20%), which is considered within anticipated industry growth. The cash flows have been discounted using average pre-tax interest rate of 11.7 percent (2017:11.5%). The interest rate corresponds to the Group’s current weighted cost of capital (WACC) and is based on current market assessments. Impairment testing is performed annual, after the budget and forecast business plans have been determined by the executive management. The 2018 (2017) test showed that there is no impairment

## Notes to the financial statements (continued)

### Note 11 Impairment test(continued)

| Allocation of Goodwill to CGU (cash generating unit)'s | 2018-12-31   | 2017-12-31   |
|--|--------------|--------------|
| Africa   | 5 398        | 5210         |
| United Arab Emirates                                   | 942          | 942          |
| Europe   | 1 269        | -            |
| <b>Total</b>   | <b>7 609</b> | <b>6 152</b> |

Sensitivity analyses have been carried out with regard to the discount rate (risk) and long-term growth with a general reduction in the growth rate after five years of 2 percentage points (2) (implying an assumption of zero growth) and a general increase in the weighted capital cost of 2 percentage points (2017:2). The sensitivity analyses did not demonstrate any impairment; neither an increase in the WACC to 14.5% or a reduction of growth rate for free cash flows to 1% for the period 2019-2023 would on their own be sufficient to trigger an impairment of Goodwill.

In addition to the annual impairment test, goodwill is tested whenever there are indications of impairment.

### 12 Tangible fixed assets

|  | 2018          | 2017          |
|--|---------------|---------------|
| Property, plant and equipment                        | €'000         | €'000         |
| <b>Cost at beginning of year</b>                     | <b>450,3</b>  | <b>56,8</b>   |
| Purchases/investments                                | 173,9         | 393,5         |
| <b>Cost at end of year</b>                           | <b>624,2</b>  | <b>450,3</b>  |
| <b>Accumulated depreciation at beginning of year</b> | <b>-317,5</b> | <b>-234,1</b> |
| Depreciation for the year                            | -101,2        | -83,4         |
| <b>Accumulated depreciation at end of year</b>       | <b>-418,7</b> | <b>-317,5</b> |
| <b>Net carrying value at end of year</b>             | <b>205,5</b>  | <b>132,8</b>  |

Depreciation charges on tangible assets are included in administrative expenses in the income statement and amounts to 101,2 TEUR (2017: 83,4 TEUR). No borrowing costs have been capitalized during 2018 nor during 2017.

## Notes to the financial statements (continued)

### 13 Investment in subsidiaries

|                                    | <b>Parent<br/>2018<br/>€'000</b> | <b>Parent<br/>2017<br/>€'000</b> |
|------------------------------------|----------------------------------|----------------------------------|
| <b>Opening balance 1 January</b>   | <b>4 074,9</b>                   | <b>3798,9</b>                    |
| Acquisition                        | 10,549,2                         | -                                |
| Impairment of Investments          | (366,0)                          | (182,8)                          |
| Investment in Subsidiaries         | -                                | 458,8                            |
| <b>Closing balance 31 December</b> | <b>14 258,2</b>                  | <b>4074,9</b>                    |

The Parent holds the following issued ordinary share capital in the group undertakings listed below:

| <b>Cognosec AB<br/>Subsidiaries</b> | <b>Company<br/>Registration<br/>Nr.</b> | <b>Domicile</b> | <b>% of<br/>Shares<br/>owned</b> | <b>% of<br/>Voting<br/>rights<br/>owned</b> | <b>Balance<br/>Carried<br/>at 31<br/>December<br/>2018</b> | <b>Balance<br/>Carried<br/>at 31<br/>December<br/>2017</b> |
|-------------------------------------|---|-----------------|----------------------------------|---|--|--|
| Cognosec Ltd                        | 224746800                               | United Kingdom  | 100%                             | 100%  | 2071,0   | 2071,0   |
| Cognosec GmbH Germany               | 768/K/2016                              | Germany         | 100%                             | 100%  | 213,0  | 213,0  |
| Cognosec Nordic AB                  | 559062-3228                             | Sweden          | 100%                             | 100%  | -  | -  |
| Credence Security JLT               | JLT 4874                                | UAE, Dubai      | 100%                             | 100%  | 204,8  | 204,8  |
| Cognosec DMCC                       | DMCC 40384                              | UAE, Dubai      | 100%                             | 100%  | -  | -  |
| Professional Technologies Ltd       | NO.C 81571                              | Kenya           | 100%                             | 100%  | 308,6  | 308,6  |
| Dynamic Recovery Services (Pty) Ltd | 1997/019520/07                          | South Africa    | 74%                              | 74%   | 1 248,4  | 1 248,4  |
| Credence Security (Pty) Ltd         | 1999/009285/07                          | South Africa    | 100%                             | 100%  | 29,1   | 29,1   |
| Cognosec GmbH Austria               | FN3697951                               | Austria         | 100%                             | 100%  | 39,2   | -  |
| Intact Software Dist. (Pty) Ltd     | 2011/103356/07                          | South Africa    | 100%                             | 100%  | 2750   | -  |
| Credence Security Ltd               | 6821858                                 | United Kingdom  | 100%                             | 100%  | 235,0  | -  |
| Itway Hellas S.L.A                  | 004012101000                            | Greece          | 100%                             | 100%  | 5 000,0  | -  |
| Itway Turkyie Ltd                   | 663346                                  | Turkey          | 100%                             | 100%  | 5 000,0  | -  |
| <b>Total</b>                        |   |                 |                                  |   | <b>14 258,2</b>  | <b>4074,9</b>  |

The principle activity of all subsidiaries is to market and sell solutions to increase safety on the internet and to sell products and services in this area.

#### Impairment test

Investments in subsidiaries are measured in the parent company's financial statements at cost price. If there is an indication of impairment, the recoverable amount of the asset is calculated. The recoverable amount is the highest of the fair value or value in use.

The carrying amount for investments in subsidiaries amounts to TEUR 14,258 as at 31 December 2018 (TEUR 4,075 as at 31 December 2017).

The group has realised a loss of TEUR 366 in 2018 in accordance with budget and plan. Expectations for the next years are aiming to generate sales above MEUR 229,79 in 2023, supported by the strong underlying market. Cyber1 targets a gross margin exceeding 35 percent in the medium term

The group's activities are primarily carried out in Dynamics Recovery Services (DRS) with a booked amount of TEUR 1248 as at 31 December 2018, and in a smaller scale in Cognosec GmbH Germany with a booked amount of TEUR-150 as at 31 December 2018. In 2018, the group established new subsidiaries in Turkey, Greece, Austria, South Africa and UK. Cyber1 Group AB's sole activity is holding of shares in subsidiaries and associates as well as the stock listing on NASDAQ First North.



## Notes to the financial statements (continued)

### Note 13 Investment in subsidiaries (continued)

Based on the market value of Cyber1 Group AB on NASDAQ First North in Stockholm management assesses there are enough headroom between the recoverable amount and the carrying amount of the subsidiaries as at 31 December 2018.

Furthermore, management has prepared impairment tests on all the subsidiaries listed below based on the discounted cash flow model reflecting the financial targets for the coming five-year period, market reports on future growth and technology trends. Management applies a five-year period to reflect the long-term approach to customers' purchasing decisions. Cash flows for the five-year period are extrapolated using an estimated growth rate of 5% (2017:20%).

The impairment tests indicate that there is significant headroom between the recoverable amounts and the carrying amounts of the shares in subsidiaries as at 31 December 2018

|                                | Dynamic Recovery Services (Pty) Ltd | Credence SA | Intact Software Distribution (Pty) Ltd | Professional Technologies Ltd | Credence UAE | Cognosec Germany (GmbH) | Cognosec GmbH Austria | Cognosec UK | Credence Security Ltd | Itway Hellas S.L. S.A | Itway Turkyie Ltd |
|--------------------------------|-------------------------------------|-------------|--|-------------------------------|--------------|-------------------------|-----------------------|-------------|-----------------------|-----------------------|-------------------|
|                                | TEUR                                | TEUR        | TEUR                                   | TEUR                          | TEUR         | TEUR                    | TEUR                  | TEUR        | TEUR                  | TEUR                  | TEUR              |
| Result                         | 195                                 | -172        | 99                                     | -31                           | 333          | -44                     | -357                  | -718        | -31                   | -59                   | 516               |
| Equity - DCF                   | 22 893                              | 2 388       | 242                                    | 836                           | 3 177        | -150                    | 1 947                 | 1 705       | 53                    | 6 697                 | 16 403            |
| Proportion of shares           | 74%                                 | 100%        | 100%                                   | 100%                          | 100%         | 100%                    | 100%                  | 100%        | 100%                  | 100%                  | 100%              |
| Booked value                   | 1 248                               | 29          | 275                                    | 309                           | 205          | 213                     | 213                   | 2 071       | 235                   | 5 000                 | 5 000             |
| Carrying amount of equity 2018 | 22 893                              | 2 388       | 242                                    | 836                           | 3 177        | -150                    | 1 947                 | 1 705       | 53                    | 6 697                 | 16 403            |
| Carrying amount of equity 2017 | 20 561                              | 3 912       | -                                      | 1 493                         | 3 912        | -                       | -                     | -           | -                     | -                     | -                 |

## Notes to the financial statements (continued)

### 14 Inventories

Inventories are valued in accordance with the 'first in, first out' principle and at the lower of cost and net realizable value. Internal profits arising from deliveries between Group companies are eliminated upon consolidation.

#### INVENTORIES

| TEUR                     | Group             |                   |
|--------------------------|-------------------|-------------------|
|                          | December 31, 2018 | December 31, 2017 |
| Consignment & Components | 775,3             | -                 |
| Work in progress         | -                 | -                 |
| Finished goods           | -                 | -                 |
| <b>Total</b>             | <b>775,3</b>      | <b>-</b>          |

Impairment of inventories during the year amounted to Nil (2017: €nil). In the income statement this is reported as cost of products sold

There were no impairments in 2018 and 2017.

### 15 Trade and other receivables

|  | Group<br>2018<br>€'000 | Group<br>2017<br>€'000 | Parent<br>2018<br>€'000 | Parent<br>2017<br>€'000 |
|--|------------------------|------------------------|-------------------------|-------------------------|
| Trade debtors                                      | 18 181,1               | 7 101,8                | 451,0                   | 82,3                    |
| Pre-payment of supplier invoices                   | -                      | 239,7                  | -                       | -                       |
| Prepaid rent                                       | -                      | -                      | -                       | -                       |
| Tax receivable                                     | 143,4                  | 236,2                  | -                       | -                       |
| Amounts owed by Group Undertakings                 | -                      | -                      | 3 175,5                 | 1 556,1                 |
| Other receivables                                  | -                      | -                      | -                       | -                       |
| Less provision for impairment of trade receivables | (332,5)                | -                      | (332,5)                 | 1 556,1                 |
| <b>Net Total</b>                                   | <b>17 992,0</b>        | <b>7 577,7</b>         | <b>3 294,0</b>          | <b>1 638,4</b>          |

Movements on the group provision for impairment of trade receivables are as follows:

| Trade receivable provision           | 2018         | 2017     |
|--------------------------------------|--------------|----------|
| Carrying value at beginning of year  | -            | -        |
| Allowances for losses during year    | 332,5        | -        |
| Recovery                             | -            | -        |
| Write down                           | -            | -        |
| <b>Carrying value at end of year</b> | <b>332,5</b> | <b>-</b> |

As of December 2018, trade receivables of 9 311,9 TEUR (2017: 897,2) were past due and 333 TEUR were impaired. The aging of trade receivables is as follows:

## Notes to the financial statements (continued)

### Note 15 Trade and other receivables (continued)

| Ageing of trade receivables | 2018            | 2017           |
|-----------------------------|-----------------|----------------|
| Current                     | 6 810,2         | 3 275,5        |
| Overdue < 31 days           | 1 726,5         | 2 929,0        |
| Overdue 31-90 days          | 9 311,9         | 897,2          |
| Overdue > 90 days           | 332,5           | -              |
|                             | <b>18 181,1</b> | <b>7 101,8</b> |

The remaining trade and other receivables do not contain impaired assets as these are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables.

Trade receivables are generally held in domestic currencies, which have an insignificant impact on the foreign currency risk. The provision for account receivables mainly pertains to doubtful customer account receivables that have the potential risk for not being collected. The credit risks of the Group's trade receivables are deemed to be low. For more information see Note 18 Financial instruments and financial risks.

### 16 Current liabilities

|                                   | Group<br>2018<br>€'000 | Group<br>2017<br>€'000 | Parent<br>2018<br>€'000 | Parent<br>2017<br>€'000 |
|-----------------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Trade creditors                   | 19 117,7               | 6 777,1                | 758,5                   | 572,4                   |
| Current tax liabilities           | 1 524,1                | 207,3                  | -                       | 47,1                    |
| Other liabilities                 | 1 982,6                | 2 546,2                | 991,4                   | 1 568,7                 |
| Other accrued costs               | -                      | -                      | -                       | -                       |
| Amounts due to Group Undertakings | -                      | -                      | 1 327,2                 | 459,8                   |
|                                   | <b>22 624,4</b>        | <b>9 530,6</b>         | <b>3 077,1</b>          | <b>2 648,0</b>          |

Current liabilities are stated at book value which is fair value.

*Notes to the financial statements(continued)*

**17 Non-Controlling interest**

The following is summarised financial information for Dynamic Recovery Solutions (Pty) Ltd, prepared in accordance with IFRS. The information is before inter-company eliminations. Cyber1 owns 74% of the Share capital and voting rights in its South African subsidiary Dynamic Recovery Solutions (Pty) Ltd. The Non-controlling interest in Dynamic Recovery Services (Pty) Ltd is 26% and is owned by the EMM Share Trust. The trust is entitled to receive its proportionate Share of any dividend distribution. No dividend payments made in 2018 and 2017 to the Non-controlling interest related to Cyber1's acquisition of Dynamic Recovery Solutions (Pty) Ltd.

The non-controlling interest held by the EMM Share trust ensures that Dynamic Recovery Services (Pty) Ltd complies with the South African Broad-Based Black Economic Empowerment Act (52/2003).

|   | <b>2018</b>    | <b>2017</b>  |
|---|----------------|--------------|
|   | <b>€'000</b>   | <b>€'000</b> |
| Revenue   | 18 724,7       | 10 756,1     |
| Profit  | 184,2          | 8,9          |
| <b>Profit attributable to NCI</b>                     | <b>47,9</b>    | <b>2,3</b>   |
| Other Comprehensive Income                            | -              | -            |
| Total comprehensive income                            | 184,2          | 8,9          |
| <b>Total comprehensive income attributable to NCI</b> | <b>47,9</b>    | <b>2,3</b>   |
| Current Assets  | 5 695,4        | 4 850,1      |
| Non-current assets                                    | 42,9           | 90,2         |
| Current liabilities                                   | (4 710,9)      | (4 261,1)    |
| Non-current liabilities                               | -              | -            |
| <b>Net Assets</b>                                     | <b>1 027,4</b> | <b>679,2</b> |
| <b>Net Assets attributable to NCI</b>                 | <b>196,7</b>   | <b>148,8</b> |
| <br>  |                |              |
| <b>Dividends paid to NCI during the year</b>          | <b>Nil</b>     | <b>Nil</b>   |

**18 Financial instruments and financial risk management**

**Financial Risk Management in the Cyber1 Group**

Due to its activities, the Group is exposed to various financial risks, including changes in foreign currency, interest, liquidity and credit risks. The Group manages the risks centrally and follows the policies approved by the Board of Directors. The Group does not actively engage in speculation of financial risks.

**Credit risks**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities which mainly relate to contract work in progress, trade receivables and other receivables, and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Maximum exposure corresponds to the carrying amount. For sale of products an advance payment is received from the customer.

## *Notes to the financial statements (continued)*

### *Note 18 Financial instruments and financial risk management (continued)*

Until 1 January 2018, impairment was performed to cover losses, this was done based on an assessment of whether an objective indication had been made for the individual amount receivable or whether a portfolio had decreased in value. Objective indicators were based on historical experience on losses.

On 1 January 2018, the group implemented IFRS 9 which allows for an assessment of impairment needs regarding impairment of financial assets measured at amortized cost, including trade receivables and contract work, according to the simplified expected credit loss model. The model entails that the expected loss over the asset's useful life is recognised immediately in the income statement and monitored on an ongoing basis according to the group's risk management until realization. Impairment is computed based on expected loss rates which are stated individually, distributed by geographical location. Loss rates are computed on the basis of historical data. This data is based on expected loss over the total maturity of the amount receivable, corrected for estimates of the effect of expected changes in relevant parameters, for instance financial development, political risks etc. on the market in question

The Group assesses the risks of losses on an ongoing basis and, if necessary, write-downs are made according to the Group's policies. Excess cash is placed with banks with ratings A or above. As of today, a material part of the Group's sales and revenue is generated from customers. There is a risk that customers do not place orders or otherwise fulfil their respective undertakings due to e.g. lack of financial resources or other circumstances beyond the Company's control. Should the Group lose business from all or some of its top customers it may have an adverse impact on the Group's business, financial position and profits in the future. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any deliveries to major customers are generally covered by letters of credit or other forms of credit insurance.

The Group's customers are both public and private enterprises. Total trade receivables amount to TEUR 17 848,6 (2017: TEUR 7 101,8) as at 31 December 2018.

An impairment analysis is performed at each reporting date. The management assesses credit risk in relation to the individual customer, taking into account whether they are public customers who are deemed to have a lower credit risk than industry customers. Except from the increased risks mentioned in note 3, the Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions. The Group's activities take place in the global market and management does not distinguish between customers' geographical affiliations in the credit risk assessment. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 15.

#### **Foreign exchange risks**

The Group's sales, cost of goods sold and expenses are mainly incurred in ZAR, AED, KES, USD, TRY, GBP or SEK. The Group has transactions in other currencies, but exposure in those currencies is not significant. There is no foreign currency hedging regarding transactions in foreign currency.

- A change in foreign exchange rates of +/- 16% in the subsidiaries in ZAR will have an effect on result and equity before tax on TEUR 420,6.
- A change in foreign exchange rates of +/- 6% in the subsidiaries in TRY will have an effect on result and equity before tax on TEUR 153,4.
- A change in foreign exchange rates of +/- 4% in the subsidiaries in AED will have an effect on result and equity before tax on TEUR 116,9.
- A change in foreign exchange rates of +/- 10% in the subsidiaries in SEK will have an effect on result and equity before tax on TEUR 276,5.
- A change in foreign exchange rates of +/- 1% in the subsidiaries in GBP will have an effect on result and equity before tax on TEUR 23,8.
- A change in foreign exchange rates of +/- 1% in the subsidiaries in USD will have an effect on result and equity before tax on TEUR 31,8.

#### **Interest rate risk**

The Group's loans are carried at variable interest rates. A change in the interest level will have limited effect on the result or equity.

- A change in the interest of +/- 1% will have an effect in 2019 on result and equity before tax on TEUR 16,2.

*Notes to the financial statements (continued)*

*Note 18 Financial instruments and financial risk management (continued)*

**Liquidity risk**

Funding and adequate liquidity are fundamental factors in driving an expanding business, and management of both is an integrated part of the Group's continuous budget and forecasting process. To ensure focus on managing the risks related to funding and liquidity, the Group manages and monitors funding and liquidity and ensures the availability of required liquidity through cash management and borrowing facilities.

By constantly maintaining cash assets or unused credit facilities, the Group ensures it has sound payment capacity which reduces the liquidity risk. Payment capacity, i.e. cash from the capital increases and cash equivalents as well as unused credit facilities as at 31 December 2018 was TEUR 5 924,2 (TEUR 264,9 in 2017).

The Group's other financing consists of an offset funding loan from potential shareholders. The loan bears a floating rate, 3.3% and 3.0% p.a. as at 31 December 2018. The loan can be redeemed by the Group at par value at any time and is subject to change of control and transfer of assets clauses.

**Group**

|                                     | 0-1-year<br>TEUR | 1-5 years<br>TEUR | Total<br>TEUR   | Carrying<br>amount<br>TEUR |
|-------------------------------------|------------------|-------------------|-----------------|----------------------------|
| <b>31 December 2018</b>             |                  |                   |                 |                            |
| Borrowings from credit institutions | -                | -                 | -               | -                          |
| Other loans                         | 1 012,7          | 603,5             | 1 616,2         | 1 630,2                    |
| Trade and other payables            | 20 994,2         | -                 | 20 994,2        | 20 994,2                   |
|                                     | <b>22 006,9</b>  | <b>603,5</b>      | <b>22 610,4</b> | <b>22 624,4</b>            |
| <b>31 December 2017</b>             |                  |                   |                 |                            |
| Borrowings from credit institutions | 1 600,0          | 642,6             | 2 242,6         | 2 252,3                    |
| Trade and other payables            | 7 278,3          | -                 | 7 278,3         | 7 278,3                    |
|                                     | <b>8 878,3</b>   | <b>642,6</b>      | <b>9 520,9</b>  | <b>9 530,6</b>             |

Fair value of the Offset loan is determined to be equal to its carrying amount (level 3 in the fair value hierarchy). Fair value of short-term liabilities is determined to equal their carrying amount.

The analysis is based on all undiscounted cash flows, including estimated interest payments and expected instalments on loans. The estimates on interest are based on current market conditions.

The payment obligations are expected to be settled through cash inflows from operating activities and through proceeds from capital injections.

## Notes to the financial statements (continued)

### Note 18 Financial instruments and financial risk management (continued)

#### Classification of financial assets and liabilities

|                                     | Financial instruments carried at fair value through profit or loss held for trading TEUR | Loans and receivables TEUR | financial liabilities TEUR | Total TEUR      | Carrying amount TEUR | Fair Value Level 1 TEUR |
|-------------------------------------|--|----------------------------|----------------------------|-----------------|----------------------|-------------------------|
| <b>31 December 2018</b>             |  |                            |                            |                 |                      |                         |
| <b>ASSETS</b>                       |  |                            |                            |                 |                      |                         |
| Trade and other receivables         | -  | 17 988,6                   | -                          | 17 988,6        | 17 988,6             | -                       |
| Marketable securities               | -  | -                          | -                          | -               | -                    | -                       |
| Cash and cash equivalents           | -  | 5 924,2                    | -                          | 5 924,2         | 5 924,2              | -                       |
| <b>Total assets</b>                 | <b>-</b>   | <b>23 912,8</b>            | <b>-</b>                   | <b>23 912,8</b> | <b>23 912,8</b>      | <b>-</b>                |
| <b>LIABILITIES</b>                  |  |                            |                            |                 |                      |                         |
| Credit institutions                 | -  | -                          | -                          | -               | -                    | -                       |
| Other loans                         | -  | -                          | 1 630,2                    | 1 630,2         | 1 630,2              | -                       |
| Trade payables                      | -  | -                          | 19 117,7                   | 19 117,7        | 19 117,7             | -                       |
| Other payables                      | -  | -                          | 1 524,1                    | 1 524,1         | 1 524,1              | -                       |
| Prepayments                         | -  | -                          | 352,4                      | 352,4           | 352,4                | -                       |
| <b>Total liabilities</b>            | <b>-</b>   | <b>-</b>                   | <b>22 624,4</b>            | <b>22 624,4</b> | <b>22 624,4</b>      | <b>-</b>                |
| <b>31 December 2017</b>             |  |                            |                            |                 |                      |                         |
| <b>ASSETS</b>                       |  |                            |                            |                 |                      |                         |
| Trade and other receivables         | -  | 7 577,7                    | -                          | 7 577,7         | 7 577,7              | -                       |
| Marketable securities               | -  | -                          | -                          | -               | -                    | -                       |
| Cash and cash equivalents           | -  | 264,9                      | -                          | 264,9           | 264,9                | -                       |
| <b>Total assets</b>                 | <b>-</b>   | <b>7 842,6</b>             | <b>-</b>                   | <b>7 842,6</b>  | <b>7 842,6</b>       | <b>-</b>                |
| <b>LIABILITIES</b>                  |  |                            |                            |                 |                      |                         |
| Credit institutions and other loans | -  | -                          | 2 252,3                    | 2 252,3         | 2 252,3              | -                       |
| Trade payables                      | -  | -                          | 6 777,0                    | 6 777,0         | 6 777,0              | -                       |
| Other payables                      | -  | -                          | 207,3                      | 207,3           | 207,3                | -                       |
| Prepayments                         | -  | -                          | 294,0                      | 294,0           | 294,0                | -                       |
| <b>Total liabilities</b>            | <b>-</b>   | <b>-</b>                   | <b>9 530,6</b>             | <b>9 530,6</b>  | <b>9 530,6</b>       | <b>-</b>                |

Fair value of credit institutions and other loans are deemed to be equal to the total carrying amount, as these items based on market rate.

The fair values of financial instruments which are not traded in an active market are determined with the help of valuation techniques. Market data is used as far as possible when such data is available. If all significant inputs required for the fair value measurement of an instrument are observable, the instrument belongs to Level 2.

### *Notes to the financial statements (continued)*

#### *Note 18 Financial instruments and financial risk management (continued)*

##### **Classification of financial assets and liabilities (continued)**

In cases where one or several significant inputs are not based on observable market information, the instrument is classified as Level 3.

The above table shows financial instruments carried at fair value based on their classification in the fair value hierarchy. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly in the form of quoted prices or indirectly, i.e. derived from quoted prices (Level 2)
- Inputs for the asset or liability which are not based on observable market data (non-observable inputs) (Level 3).

In 2018, no transfers between levels were made.

## **19 Share capital**

Per 31 December 2018 Cyber1 registered Share capital consisted of 292.2 Million Shares (2017: 257.2 Million Shares) and amounted to 782 TSEK (2017: 686 TSEK). Cyber1 shares are denominated in Euros.

To facilitate an analysis of changes in the number of issued Shares and the Share capital for both 2017 and 2018; Share capital, as presented in the Primary Financial Statements are presented at the exchange rate per 31 December 2018, which was 10.21 SEK per EUR (2017: 9.84). As at 31 December 2018 the par value of each Share is 0.0018 SEK (2017: 0.0025) or 0.00002618 EUR (2017: 0.000278).

Each Share has one vote.

The Share capital detailed in the annual accounts is the Share capital which was registered on the 31 December 2018 and 2017 respectively.

|                                   |                         | <b>Change in issued<br/>number of Shares</b> | <b>Issued number of<br/>Shares</b> | <b>Par Value<br/>SEK</b> |
|-----------------------------------|-------------------------|--|------------------------------------|--------------------------|
| <b>Shares issued at</b>           | <b>1 January 2015</b>   | -  | <b>250000</b>                      | <b>1</b>                 |
| Share Split 1 to 1000             | 23 April 2015           | 249750000                                    | 250000000                          | 0.0010                   |
| Offset Share Issue                | 23 April 2015           | 362000000                                    | 612000000                          | 0.0010                   |
| Reverse Split 2 to 1              | 23 April 2015           | (306000000)                                  | 306000000                          | 0.0020                   |
| Reverse Split 10 to 8             | 23 April 2015           | (61200000)                                   | 244800000                          | 0.0025                   |
| Directed Share Issue              | 7 December 2015         | 2800000                                      | 247600000                          | 0.0025                   |
| Initial Public Offering of Shares | 22 June 2016            | 9 579 500                                    | 257 179 500                        | 0.0025                   |
| <b>Shares issued at</b>           | <b>31 December 2016</b> | -  | <b>257 179 500</b>                 | <b>0.0025</b>            |
| Shares issued at                  | 1 January 2017          | -  | 257 179 500                        | 0.0025                   |
| <b>Shares issued at</b>           | <b>31 December 2017</b> | -  | <b>257 179 500</b>                 | <b>0.0025</b>            |
| Directed Share Issue              | 11 January 2018         | 1 474 000                                    | 258 653 500                        | 0.0027                   |
| Offset Share Issue                | 09 March 2018           | 3 638 243                                    | 262 291 743                        | 0.0027                   |
| Directed Share Issue              | 13 July 2018            | 16 666 666                                   | 278 958 400                        | 0.0018                   |
| Private Placement New Issues      | 23 October 2018         | 13 277 097                                   | 292 235 506                        | 0.0018                   |
| <b>Shares issued at</b>           | <b>31 December 2018</b> | -  | <b>292 235 506</b>                 | <b>0.0018</b>            |



*Notes to the financial statements(continued)***20 Earnings per Share**

|   | <b>2018</b>     | <b>2017</b>     |
|---|-----------------|-----------------|
| Net result attributable to shareholders of the Parent (€ 000)   | (2 475)         | (3 071)         |
| Weighted average number of ordinary shares in issue (Thousands) | 273 959         | 256 475         |
| <b>Basic earnings per share (€ per share)</b>                   | <b>(0.0090)</b> | <b>(0.0120)</b> |

**The group has no dilutive potential ordinary shares. Therefore, the diluted earnings per share is the same as the basic earnings per share**

Cyber1 paid no Dividends in 2018 or 2017.

**21 Equity****Objectives, policies and processes for managing capital**

The Board of Directors of Cyber Security 1 AB has concluded that in view of the good and stable prospects for the business the financial policy is that the Group will strive to maintain a net debt that does not exceed three times EBITA. Excess funds shall be returned to shareholders through dividends and share repurchases.

**Share Capital**

All shares are of the same class and carry the same voting rights. All shares are paid in full. All shares carry the same entitlement to the company's assets and profit. There are no restrictions on the transferability of the shares according to the law or the Articles of Association

**Other Contribution Capital**

Other contributed capital pertains to equity contributed by the owners and includes share premium reserves.

In accordance with Chapter 4, Section 2, Paragraph 2 of the Swedish Annual Accounts Act, such funds are not available for distribution.

**Hedging Reserve**

The hedging reserve refers to accumulated gains and losses arising from changes in the fair value of cash flow hedges attributable to hedges of exchange rate fluctuations and interest rate risks. At the end of the year, there were no cash flow hedges recognised in other comprehensive income.

**Foreign Currency Translation Reserve**

The foreign currency translation reserve covers all exchange differences arising on translation of the financial statements of foreign operations that are presented in a currency other than that used for presentation of the consolidated financial statements. The Parent Company and the Group present their financial statements in EUR.

**Fair value reserve**

The fair value reserve included the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

## Notes to the financial statements (continued)

### 22 Operating Lease commitments

The Group's future minimum lease payments under the terms of non-cancellable operating lease agreements which initial or remaining terms of one year or more fall due as follows:

| Minimum lease payment | 2018           | 2017           |
|-----------------------|----------------|----------------|
| Within one year       | 455,0          | 405,0          |
| Between 1–5 years     | 1 290,0        | 810,0          |
| Later than 5 years    | -              | -              |
| <b>Total</b>          | <b>1 745,0</b> | <b>1 215,0</b> |

|              | Falling due within<br>1 year<br>€'000 | Falling due between<br>2-5 years<br>€'000 | Falling due in more<br>than 5 years<br>€'000 |
|--------------|---------------------------------------|---|--|
| Africa       | 256,0                                 | 768,0                                     | -  |
| Middle East  | 71,0                                  | 213,0                                     | -  |
| Europe       | 128,0                                 | 309,0                                     | -  |
| <b>Total</b> | <b>455,0</b>                          | <b>1 290,0</b>                            | <b>-</b>                                     |

The operating lease agreements are mainly attributable to the rental of real estate.

### 23 Related party transactions

The Group's related parties include associated companies and key management personnel with significant influence over the Group. Key management personnel with significant influence over the Group are Cyber1 Board of Directors and members of the Group Management Team. Related parties' transactions are conducted at an arms-length basis. For further information about the Group's transactions with associated companies see Note 13.

Information about remuneration to the Board of Directors and Group Management Team, see Note 6 Personnel.

Besides this and disregarding intergroup transactions that are eliminated in the consolidated financial statements of the Group, no other related parties' transactions have been conducted during the year. Transactions with related parties are based on established commercial terms for the industry and are entered into under normal commercial terms. Refer to Note 6 for information about salaries and other benefits, expenses and commitments in terms of pensions and similar benefits for the Board, the CEO and other senior executives.

The Groups subsidiaries in South Africa paid EUR 151k EUR for office premises rented via a company that is controlled by the then Group's CEO. The Board of Directors considers that the rental charge is in line with market conditions. Otherwise, no transactions have taken place between Cyber1 and related parties that have had any material impact on the company's position or earnings.

Related parties also comprise subsidiaries in which Cyber1 Group has controlling influence.

#### Related party loan

Related party loan transactions and balances with related party entities under common directorship control are set out in the table below:

| Entities | Movement in the<br>year | Balance as 31/12/18 |
|----------|-------------------------|---------------------|
| UC Group | -€35,092                | €603,506            |

## Notes to the financial statements (continued)

### Note 23 Related party transactions (continued)

#### Major shareholders

At 31st May 2019, the following substantial interest (1% or more) in the company's ordinary share capital (voting right) have been notified to the company.

| Shareholder                             | Percentage of issued<br>ordinary share capital | Value      |
|---|--|------------|
|   | %  | SEK        |
| UBS SWITZERLAND AG /CLIENTS ACCOUNT     | 24.9   | 72,860,400 |
| DEUTSCHE BANK AG W8IMY                  | 19.1   | 55,954,345 |
| CREDIT SUISSE (SWITZERLAND)LTD          | 10.3   | 30,154,000 |
| CLEARSTREAM BANKING S.A., W8IMY         | 10.2   | 29,733,357 |
| PERSHING, LLC, W9                       | 6.6  | 19,390,417 |
| SIX SIS AG, W8IMY                       | 3.6  | 10,403,865 |
| BANK OF NEW YORK MELLON, ADR.DEPT       | 3.1  | 8,926,000  |
| BANK OF NEW YORK MELLON, CORPORATION W9 | 2.9  | 8,652,290  |
| MORGAN STANLEY & CO INTL PLC, W8IMY     | 2.7  | 8,026,284  |
| PAULSEN, JACOBUS*                       | 1.9  | 5,498,000  |
| ROBERT, BROWN                           | 1.5  | 4,426,400  |
| IBKK FINANCIAL SERVICES AG, W-8BENE     | 1.3  | 3,787,396  |
| BROWN BROTHERS HARRIMAN & CO., W9       | 1.2  | 3,630,406  |
| KAS BANK CLIENT ACC NON TREATY          | 1.2  | 3,565,744  |
| ANDREW, SJOBERG                         | 1.0  | 3,102,936  |

The company's substantial shareholders do not have different voting rights. Cyber1, so far as is known by the company, is not directly or indirectly owned or controlled by another corporation or by any individual. Cyber1 knows of no arrangements, the operation of which may at a subsequent date result in a change of control of the company.

### 24 Subsequent events

#### Itway (Turkey) and Itway (Greece)

On the 17<sup>th</sup> April 2019 ("Deed of Amendment"), Cyber1 and ITWAY S.p.A agreed an addendum to the share sale and purchase agreement between them with effect that certain of the terms and conditions of the transaction for Itway (Turkey) and Itway (Greece) would be amended. The amendments entailed the formation of a new subsidiary for Cyber Security 1 AB (Publ), being an Italian NewCo. Cyber1 would beneficially own 100% of the Italian NewCo and would enter into a shareholders agreement with Itway S.p.A in terms of which Cyber1 would have 95% of the shareholding in the Italian NewCo and Itway S.p.A would have a 5% shareholding. Under the Deed of Amendment, Itway S.p.A is obligated to transfer the remaining 5% shareholding in the Italian NewCo to Cyber1 upon the occurrence of certain events and similarly, should Cyber1 fail to perform certain agreed undertakings, Itway S.p.A has the right to reacquire Itway (Turkey) and Itway (Greece) for a nominal value and the parties would then need to be restored to the positions they were before the full transaction of Itway (Turkey) and Itway (Greece) was consummated.

#### Acquisition of Advantio Limited

In June 2018, Cyber 1 announced the signing of a share sale and purchase agreement pursuant to the acquisition of Advantio Limited subject to usual closing conditions. The closing of this transaction has been agreed to take place in 2019.

The acquisition will place Cyber1 and Advantio together in the top bracket of PCI Qualified Security Assessors and PCI Approved Scanning Vendors worldwide and in the top three in Europe. The acquisition analysis has yet to be prepared.

#### Acquisition of Infonet

In August 2018, Cyber 1 announced an exclusive deal to acquire Infonet for USD 26m subject to usual closing conditions. A leading cyber security business in Turkey which offers VAD product and Advisory services solutions in the Turkey market. The acquisition analysis has yet to be prepared. The closing of this transaction has been agreed to take place in 2019.

**Notes to the financial statements (continued)****Note 24 Subsequent events (continued)****IntaForensics Limited**

On 5th March 2019 announced exclusive agreement to acquire IntaForensics. IntaForensics will provide Cyber1 with a wide spectrum of Digital Forensic and Cyber Security Services solution. IntaForensics is one of only a handful of organisations that possesses the prestigious ISO/IEC 17025 Laboratory Standard.

**Other events after the reporting period**

Nick Viney joined Cyber1 on January 14, 2019, as Chief Executive Officer and member of the Executive Management team.

As of March 6, 2019, Vivian Gevers, was appointed Chief Operating Officer.

On February 8, 2019, Cyber1 announced an exclusive five-year partnership with Formula 1 to provide cyber security services and solutions.

On March 18, 2019, Cyber 1 issued 3,250,976 new shares in the Private Placement, collectively undertaken by existing shareholders and investors.

**25 Appropriation of Current Year Loss for Cyber1**

The below funds and proposed treatment of them is to be decided at the company's annual general meeting.

|                   |                        |
|-------------------|------------------------|
| Free Equity       | € 16 062 328,00        |
| Current year Loss | € (1 618 714,00)       |
| <b>Total</b>      | <b>€ 14 436 614,00</b> |

The board proposes that the available funds are carried forward.

**To be brought forward € 14 436 614,00**

**26 Approval of Annual Report**

The Board of Directors and the CEO hereby affirm that the Annual Report has been prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements have been prepared in accordance with international accounting standards as adopted by the European Parliament and Council Regulation (EC) No 1606/2002 of July 19, 2002 in respect of the application of international accounting standards.

The Annual Report and the consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and earnings. The Directors' Report for the Parent Company and the Group provides a true and fair overview of the operations, financial position and results of the Parent Company and the Group and describes material risks and uncertainties facing the Parent Company and the companies that are part of the Group.

The Group's income and financial statements will be submitted to the Annual General Meeting on 4<sup>th</sup> July 2019 for adoption.

*Signatures of the CEO, Board and the Groups' auditor*London 28<sup>th</sup> June 2019

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Jacobus Paulsen  
Chairman

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Nick Viney  
CEO

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Neira Jones  
Board member

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Lord Anthony St John  
Board member

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Patrick Boylan  
Board member

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Daryn Stilwell  
Board memberOur audit opinion was issued on 28<sup>th</sup> June 2019 ÖhrlingsPricewaterhouseCoopers AB

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Martin Johansson  
Authorised Public Accountant

## **Auditor's report**

Unofficial translation

To the general meeting of the shareholders of Cyber1 AB (publ), corporate identity number 556135-4811

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### **Report on the annual accounts and consolidated accounts**

#### *Opinions*

We have audited the annual accounts and consolidated accounts of Cyber1 AB (publ) for the year 2018.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

#### *Basis for Opinions*

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

#### *Emphasis of Matter*

As stated on page 59 section "Subsequent events" and Note 24 in the annual and consolidation accounts, the company has after end of the financial year has signed an amendment to the share purchase agreement in relation to the shares in ITWAY. The amendment includes a clause stipulating that the seller of the shares may repurchase for a marginal price if the company fails to fulfil certain conditions. As the conditions partial rests outside the control of the company, the conditions imposes a material uncertainty in relation to the shares in ITWAY and the clause may result in material losses for the business.

#### *Material Uncertainty Related to Going Concern*

We draw attention to page 4 section "Business review and going concern" and Note 2 in the annual accounts and consolidated accounts, which states that the company needs additional financing. As stated on page 4 these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the



preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

### *Auditor's responsibility*

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

## **Report on other legal and regulatory requirements**

### *Opinions*

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Cyber1 AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the loss dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### *Basis for Opinions*

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. [The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### *Auditor's responsibility*

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

### *Remark*

Without impacting our opinion, we wish to make note that deducted VAT were neither declared nor paid within the prescribed time periods on a number of occasions. Further, the company has not filed the tax return within the prescribed time.

The annual accounts and consolidated accounts has not been published in time to make it possible, in accordance with Chapter 7 section 10 of the Companies' Act, have the annual general meeting of shareholders within 6 months from end of the financial year.

Stockholm June 28, 2019

Öhrlings PricewaterhouseCoopers AB

Martin Johansson  
Authorized Public Accountant