# Annual report 2022

# Hirschmann Multimedia Holding B.V.

# Weesp

# Contents

# Directors’ report

## Overview

Hirschmann Multimedia is an international technology company that develops and offers broadband technologies and products, industrial network solutions and related services. Our customer base consists of cable and telecom operators, distributors to retail and installation companies as well as industrial and public sector organizations. Our business is divided into two areas, which are broadband products (in-home and telecom) and network solutions (multimedia and industrial). In both areas we rank among technological innovators.

The strategic priorities in 2022 were and in FY23 will be focused around new products for our channel business (such as the APAC- and EDC-line), IPTV/Cloud TV and Chromecast products, the launch of our open source digital node (Pebble) in the provider market and the start of a new activity aimed to reduce CO2 by means of a variety of products, i.e., in first instance LED and emergency lighting to be launched as of Q3 FY23.

## Developments during the financial year

The order intake is still growing but due to supply chain issues we are unable to fulfil the majority, which impacted our revenue and bottom line results in FY22. The impact of Covid-19 on our industry continued unfortunately in FY22. Not only the entire supply chain faced major challenges, also consumers as well as corporations and (local) governments changed the timing of technology spent.

Due to continuing supply chain challenges, we faced major delays in product(component) deliveries. Since our products are comprised of several components, our cash got trapped in production and stock. This resulted in cashflow challenges, but also a huge backlog of almost € 5,5 mio (2021: 5 million), that impacted our bottom line result. Given the inability to deliver our products as ordered, we missed at least € 3 million of new product sales in FY22. With a margin of around 35% our bottom line result could have been even more positive, where this year although EBITDA and net result positive the results were limited due to described supply chain and cashflow issues.

Our net sales decreased with 15% to € 13,8 million (2021: 16,3 million). Our product related sales was mainly impacted to the inability to deliver caused by continuing supply chain issues, where our services business, multimedia as well as in industry, was growing with 8%.

Although our sales decreased we realized a better result before tax as last year. We closed our books with a result of € 6k (2021: - € 80k). This was the result of better margin sales, services in special but also achieved by cost reductions, which will even be further improved in FY23 by means of a stringent cost policy.

To strengthen our equity position a €400k provided loan by Kroon Holding B.V. was converted into a subordinated loan. Nevertheless, our solvability ratio improved slightly to 29,3% (2021: 28,7%).

Our main bank relation (ABN AMRO) deducts the intangible assets from our equity position resulting in a solvability ratio of 13,6%, we failed to comply with the covenants of our bank facility, not resulting in any measures taken by the bank. The agreement was renewed in July 2022, including a pledge on our stock and inventory (for the moment second in ranking after Swish Fund), including Hirschmann Multimedia Holding B.V. that was by mistake not taken into consideration when the overdraft facility was closed in 2009. Please note our intangible assets represent the development of new products and are key important for the future of the company. Further measures are taken to new financial resources to strengthen the working capital position to make the Company ready for further growth, planned to be in place in Q2 FY23.

## Business areas

Due to supply chain issues, we unfortunately could not launch our full suite of fibre products in FY22 including the CAS8, APAC-W and D. The latter is still stuck in our production chain due to material shortage. To further improve our Cloud offering we teamed up with a finance company that can provide the necessary funds to our customers to purchase our products as-a-service. The development of the open-source digital node (pebble) is planned for May FY23 at the Angashow in Cologne Germany. However, the interest in this particular product is encouraging and will definitely provide growth in the years to come.

## Investments

The main investments we made in tangible assets totalled € 67k (2021: € 469k) and € 184k in intangible assets (2021: € 558k), the latter to be development work in progress. The tangible assets 2021 include the renovation costs of the office building. We continued to invest heavily in development, mainly driven by our own R&D department. The focus is and will be on the digital and IP products, industrial as in home, as well as the development of our new green product portfolio.

## Social and personnel issues

In FY22 the average number of FTE was 53 (2021: 57). At the end we employed 50 FTE with 6 vacancies. Due to the shortage of (IT) staff in the market in general and the high salaries offered by competitors, it's challenging to fulfil the vacancies.

Staff expenses increased to € 4,1 million (2021: € 3,9 million) mainly due to inflation of salaries and to find replacement for open positions. The absence rate due to illness increased declined to 4% compared to FY22 (3%) and probably will continue to remain at the same level throughout FY23 with some long illness staff members.

During FY22 we executed our new staff management tool which allows us to monitor the performance of our staff on the one hand but also gives ample room for our employees to define their career paths and monitor progress on the other hand.

Although we do not have a formal code of conduct in place, we comply all our policies and staff to Dutch law and common practice.

## Environmental issues

The company is working out of a building which was reconstructed in FY21 to the latest environmental building standards, including the replacement of our lightning system by LED, reducing considerable energy consumption and CO2. In our car policy we introduced various hybrid or total electric cars. Further investments in our IT infrastructure reduced our travel movements by car, train or plane. The central storage of documents (instead of local storage and more email traffic) is reducing our storage space within a data centre, indirectly decreasing the CO2 footprint. We continued to separate our business garbage (iron, lamps, batteries, toner etc) and secure ecological disposal.

From a production perspective we strive and continue to deliver energy diminishing products by developing energy smart functionality in our products, combined with software that can switch off unused parts within hardware and optimize the hardware performance. Energy reducing products is one of the key strategies in developing our (new) products. Our newly started green activities, as Led lighting and planned for launch in Q3 FY23 our new, green and energy saving "security lighting" product portfolio, we even further invest in CO2 reducing products.

## Covid-19

The order portfolio is more than healthy but the ability to fulfil the orders is constrained due to supply chain and raw material issues. There is, however, a noticeable change towards the impact Covid-19 had on the Company in recent years.

A major part of the products consists of different components that are delivered by various parties, predominantly located in the Far East. This implies that one manufacturer may be able to finish their part of the product as such, but to make it an end product, other components are needed by the next manufacturer. Due to raw material shortage the company faces the issue that various manufacturers are paid for completing their part in the production of a product, but the product can't be sold since it is not finished as one of the other manufacturers is not able to complete it due to raw material shortage. In prevailing cases Hirschmann needs to help this manufacturer by looking in the market for replacing components and parts. This job is performed by the R&D team, valuable time that could not be spent on further product development. The alternative solution is always more expensive, which ultimately has an impact on margin and therefore is forcing cost reduction in other areas although the majority of these price increases can be calculated into the market prices as is done by the whole industry.

In addition to these long lead times from production to end product, the transportation issues increased during Covid periods. Good news is that on average transportation possibilities are normalizing in price as well as lead times during FY22. We expect this to continue in FY23. In some cases transport of goods is done via air with additional costs absorbed by the customer.

On top of that a new challenge is posing even further constraint on Hirschmann's working capital. More and more manufacturers are forced to change payment terms due to cashflow issues and ask full payment upfront. This predominantly occurs in the Far East where the suppliers of raw materials changed to different payment terms caused by the shortage in commodities. The necessary ingredients will not be supplied to the buying manufacturer if payment is not made entirely upfront.

Given the growing precariousness of the mutation of the virus and the fact it will take a long time before things will move back to normal, the Company took the following measures:

- The installation of a Board of three, including the CEO, CFO and CTO, to make strategical decisions and choices well balanced and quicker in execution
- Stricter cashflow management and arrangement of new financial resources to strengthen the working capital position to make the Company ready for further growth.
- Newly hired middle management with more and experienced skills, capable and willing to execute the growth of the company and its ambitions
- An assessment for alternative production resources in Europe instead of the Far East took place to improve delivery times and associated uptake in revenues, decisions will be made during FY23 which products can be shifted to European production partners.
- An assessment was made for alternative product offerings that are less dependent on supply chain/raw material issues. This resulted among other things in the new Green initiative that was launched in April '22.

## Financial instruments

Securities included in current assets are initially and subsequently measured at fair value, if these are related to securities held for trading or if they relate to equity instruments not held for trading. All other on-balance financial instruments are carried at (amortised) cost. There are currently no securities included in our current assets.

Financial instruments are both primary financial instruments (such as receivables and debts), and derivative financial instruments (derivatives).

The notes to the specific items of the balance sheet disclose the fair value of the related instrument if this deviates from the carrying amount. If the financial instrument is not recorded in the balance sheet the information on the fair value is disclosed in the notes to the 'Contingent assets and liabilities'.

For the principles of primary financial instruments, reference is made to the recognition per balance sheet item of the 'Principles for the valuation of assets and liabilities'. The Company does not have any derivative financial instruments.

Currency risks are limited as the Company mainly operates within the Benelux and the European Union and/or are managed by contractual agreements on fixing the exchange rate. Credit risks are also limited, therefore an accrual for doubtful debts is not needed. Liquidity risks are limited by using several banks and an overdraft facility with the bank.

### Financial risks and opportunities

Due to supply chain issues and the tendency to shift cashflow issues from the chain to companies like Hirschmann, the Company is taking the appropriate measure to strengthen its working capital position. At the moment the Company does not use any hedging instrument, but will look at alternatives in the next fiscal year, to be ready for our business and growth plans for the next years to come.

Several steps are being prepared and will be activated next year. We will start with factoring of our debtors. Additional to this step we create a purchase facility with a credit company (or several) for prefinancing activities in production projects. On top we are looking for an additional public loan replacing our bank facility, preferable extended and more in line with our growth opportunities. A capital injection by an investor is optional and should be in line with our growth strategy.

### Strategical opportunities and risks faced by the business areas

The still lasting supply chain issues and shortage of raw materials starts slowly to normalize but still will have an impact on our business going forward, in special in Q1 and Q2 of FY23. Although our order portfolio continues to ramp up, we are not able to meet demand as fast as we wish. To face the on-going challenges with deliveries from the Far East we will look – where possible – for European productions that might be able to deliver our products faster and more reliable in on time deliverance.

Unfortunately, due to the above issues the payment requirements changed. We are – as other peers in the industry – forced to act as a bank. At the start of the supply chain the demand for upfront payment of the entire order is increasing, which obligation is shifted to Hirschmann by our production partners. Due to the long supply cycles, this will continue to have a serious impact on our cashflow. Combined with our growth ambitions – predominantly also in the Green area – we worked successfully on temporary solutions for other financial alternatives such as additional working capital, now planned for Q2 FY23 to finalize an additional public loan and further on subsidies and green loans to secure our future growth.

Hiring new staff will be challenging, however, we are confident we will find the right person for the right job as we moved to new headhunters and encourage our own staff to look in their network to fill the vacancies for a small reward if successful. We tend to look as well at younger people that we can train and educate ourselves as we did do in the past also successfully.

### Legal

In all our activities, procedures and responsibilities we comply to Dutch law and regulations, including personnel matters and compliance to Dutch law on financial reporting.

### Continuity

Since we continue to focus on high quality, service, flexibility, accuracy and customer focus and are well-known for these important key factors in a market where the use of internet becomes almost part of the primary necessities of life, we are very confident about our future in which the use of WIFI, internet and television are very important for our day-to-day way of living. Our target market is constantly in development and our products remain to be key important for everyday life. Together with the new green activities we expect to grow over the next years to come in double digit growth figure, top -and bottom line.

Weesp, The Netherlands, July 31st, 2023.

Board of directors,
Drs. D.A.J. Kroon.

# Consolidated financial statements

## Consolidated balance sheet as at 31 December 2022
**(after appropriation of result)**

| | note | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|---|
| | | € | € | € | € |
| *Assets* | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 1.1 | 1.254.976 | | 1.123.106 | |
| Tangible assets | 1.2 | 490.516 | | 613.982 | |
| Financial assets | 1.3 | 896.402 | | 897.377 | |
| | | | 2.641.894 | | 2.634.465 |
| **Current assets** | | | | | |
| Inventories | 1.4. | 3.344.873 | | 3.195.021 | |
| Receivables | 1.5. | 1.231.801 | | 1.533.435 | |
| Cash at banks and in hand | | 69.271 | | 70.387 | |
| | | | 4.645.945 | | 4.798.843 |
| | | | 7.287.839 | | 7.433.308 |

| | note | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| | | € | € |
| *Group equity and liabilities* | | | |
| **Group equity** | | | |
| Equity capital | 1.6 | 2.136.678 | 2.130.096 |
| **Long term liabilities** | 1.7 | 1.344.189 | 0 |
| **Current liabilities** | 1.8 | 3.806.972 | 5.303.212 |
| | | 7.287.839 | 7.433.308 |

# Consolidated income statement for the year ended 31 December 2022

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| | Note | € | € | € | € |
| **Net turnover** | 2.0 | | 13.760.849 | | 16.344.135 |
| Cost of sales | | | (7.352.198) | | (10.082.675) |
| **Gross profit** | | | 6.408.651 | | 6.261.460 |
| Selling expenses | 2.1 | (4.699.443) | | (4.706.873) | |
| General & Administration Expenses | 2.2 | (1.534.258) | | (1.609.117) | |
| **Total costs** | | | (6.233.701) | | (6.315.990) |
| **Operating gain** | | | 174.950 | | (54.530) |
| Financial expenses and income | 2.3 | | (166.723) | | (52.147) |
| **Result before tax** | | | 8.227 | | (106.677) |
| Tax on result | 2.5. | | 1.645 | | 26.669 |
| **Result after tax** | | | 6.582 | | (80.008) |

HIRSCHMANN MULTIMEDIA

# Consolidated cash flow statement for the year ended 31 December 2022

| | | 2022 | | 2021 |
|---|---|---|---|---|
| | € | € | € | € |
| **Cash flows from operating activities** | | | | |
| Operating gain/loss | | 174.950 | | (54.530) |
| *Adjustments in respect of:* | | | | |
| Amortisation of intangible assets | 51.945 | | 245.569 | |
| Depreciation of tangible assets | 188.943 | | 127.404 | |
| | | 240.888 | | 372.973 |
| *Movements in working capital:* | | | | |
| Inventories | (149.852) | | (765.243) | |
| Construction contracts | 361.494 | | (969.479) | |
| Receivables | 228.390 | | 38.772 | |
| Current liabilities (excluding finance balances) | (662.448) | | 748.247 | |
| | | (222.416) | | (947.703) |
| **Cash flows (used in) / generated from operating activities** | | 193.422 | | (629.260) |
| Interest paid | (85.890) | | (13.293) | |
| Corporate income tax paid on operating activities | 0 | | (74.880) | |
| | | (85.890) | | (88.183) |
| **Cash flow (used in) / generated from operating activities** | | 107.532 | | (717.443) |

| | | 2022 | | 2021 |
|---|---|---|---|---|
| | € | € | € | € |
| Investments in: | | | | |
| - Intangible assets | (183.815) | | (10.940) | |
| - Tangible assets | (67.286) | | (468.536) | |
| **Cash flow used in investment activities** | | (251.101) | | (479.476) |
| Loan Kroon Holding B.V. | 0 | | 400.000 | |
| | | 0 | | 400.000 |
| **Cash flow generated from financing activities** | | 80.833 | | 38.854 |
| Net cash flows | | (62.736) | | (758.065) |
| (Decrease / increase on cash at bank and in hand | | (62.736) | | (758.065) |

**The movement in cash at banks and in hand can be broken down as follows:**

| | 2022 | 2021 |
|---|---|---|
| *Balance as at January 1* | (846.285) | (88.220) |
| Movements during the financial year | (62.736) | (758.065) |
| *Balance as at 31 December* | (909.021) | (846.285) |

## Notes to the consolidated financial statements

## Entity Information

***Registered address and registration number trade register.***
The registered and actual address of Hirschmann Multimedia B.V. is Pampuslaan 170, 1382 JS in Weesp, the Netherlands. The Company is registered at the Chamber of Commerce under number 32025033.

## General notes

***The most important activities of the company.***
The activities of Hirschmann Multimedia Holding B.V., with its registered office and its actual place of business Pampuslaan 170 in Weesp, and its group companies ("the Group") mainly concern the trade in electronic and cable equipment. Furthermore, cable network projects take place. Sales are made in both the domestic and foreign markets, with the countries of the Benelux forming the most important markets. Furthermore the Company is actively promoting their as-a-service concept for Cloud solutions.

***Disclosure of group structure***
Hirschmann Multimedia Holding B.V. is the head of the group.
The registered and actual address of Hirschmann Multimedia Holding B.V. is Landstraat 207, 1404 JJ Bussum and is registered at the Trade Register of the Chamber of Commerce under number 34319999.

A summary of the information required under articles 2:379 and 2:414 of the Dutch Civil Code is given below:

Consolidated companies:

| Name | Registered office | Share in issued share capital |
|---|---|---|
| Hirschmann Multimedia B.V. | Weesp | 100% |

***Disclosure of estimates***
In applying the principles and policies for preparing the financial statements, the directors of the company make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

***Disclosure of continuity***
The consolidated financial statements are prepared and based on the continuity of the company. With Corona and associated supply issues, the company was confronted with cash constraints as in the whole industry. To be better prepared on such issues in the future and to support the growth planned for, the company is working on extending is liquidity by capital injections, factoring and project financing. With this liquidity extension in place during 2023 the company feels confident to continue its businesses and realizing its growth.

***Disclosure of consolidation***
Financial information relating to group companies and other legal entities controlled by Hirschmann Multimedia Holding B.V. or where central management is conducted, has been consolidated in the financial statements of Hirschmann Multimedia Holding B.V. The financial statements are drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch

Accounting Standards, as published by the Dutch Accounting Standards Board ("Raad voor de Jaarverslaggeving").

The financial information relating to Hirschmann Multimedia Holding B.V. is presented in the consolidated financial statements. Accordingly, in accordance with art. 2:402 of the Dutch Code, the company-only financial statements only contain an abridged profit and loss account.
Financial information relating to the group companies and the other legal entities and companies included in the consolidation is fully included in the consolidated financial statements, eliminating the intercompany relationships and transactions. Third-party shares in equity and results of group companies are disclosed separately in the consolidated financial statements.

Hirschmann Multimedia BV and Hirschmann Multimedia Holding BV are in a fiscal unity for corporate income tax and/or value-added tax and are several and joint liable.

## General accounting principles

***The accounting standards used to prepare the financial statements***
The consolidated financial statements are prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').
Assets and liabilities are generally measured at historical cost, production cost or at fair value at the time of acquisition. If no specific measurement principle has been stated, measurement is at historical cost.

***Prior year error correction***
During the preparation of the 2022 financial statement a prior year error was identified. A tax liability position was not properly eliminated in the consolidated accounts. This error was adjusted in the 2021 consolidated equity by reclassifying the Other Liabilities € 203.902 higher and Group Equity € 203.902 lower.

***Disclosure of changes in accounting policies.***
The valuation principles and method of determining the result are the same as those used in the previous year, with the exception of the recognised changes in accounting policies as set out in the relevant sections.

***Conversion of amounts denominated in foreign currency***
Items included in the financial statements of group companies are measured using the currency of the primary economic environment in which the respective group company operates (the functional currency). The consolidated financial statements are presented in Euros, which is the functional and presentation currency of the company.

***Basis of conversion and processing of Exchange Rate Differences relating to foreign currency transactions for the Balance Sheet***
Transactions in foreign currencies are stated in the financial statements at the monthly exchange rate of the functional currency on the transaction date that falls within a certain month.

***Foreign currency translations and the processing of foreign currency translation difference with regard to business activities abroad.***
Items included in the financial statements of group companies are measured using the currency of the primary economic environment in which the respective group Company operates (the functional currency). The consolidated financial statements are presented in Euros, which is the functional and presentation currency of Hirschmann Multimedia Holding B.V.

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing as at balance sheet date.

Transactions in foreign currency during the financial year are recognised in the financial statements at the exchange rates prevailing at transaction date. The exchange differences resulting from the translation as at balance sheet date, taking into account possible hedge transactions, are recorded in the profit and loss account.

***Operating leases***

The corporation has lease contracts for the company cars whereby a large part of the risks and rewards associated with ownership are not for the benefit of or incurred by the corporation. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the consolidated profit and loss account for the duration of the contract.

***Financial instruments***

Securities included in current assets are initially and subsequently measured at fair value, if these are related to securities held for trading or if they relate to equity instruments not held for trading. All other on-balance financial instruments are carried at (amortised) cost. There are currently no securities included in our current assets.

Financial instruments are both primary financial instruments (such as receivables and debts), and derivative financial instruments (derivatives).

The notes to the specific items of the balance sheet disclose the fair value of the related instrument if this deviates from the carrying amount. If the financial instrument is not recorded in the balance sheet the information on the fair value is disclosed in the notes to the 'Contingent assets and liabilities'.

For the principles of primary financial instruments, reference is made to the recognition per balance sheet item of the 'Principles for the valuation of assets and liabilities'. The Company does not have any derivative financial instruments.

***Hedge accounting***

Hirschmann currently doesn't apply hedge accounting.

***Currency risk***

Hirschmann Multimedia Holding B.V. mainly operates in the Benelux and the European Union.

***Interest rate and cash flow risk***

The Company incurs interest rate risk on interest bearing receivables (in particular those included in cash) and on interest bearing non-current and current liabilities.

Where floating-interest loans and receivables are concerned, Hirschmann Multimedia Holding B.V. incurs risk regarding future cash flows. In addition, Hirschmann Multimedia Holding B.V. incurs risks on fixed interest loans and receivables with respect to the fair value due to changes in the market rate of interest. No financial derivatives for interest rate risk are contracted with regard to the receivables.

**Credit risk**

Hirschmann Multimedia Holding B.V. does not have any significant concentrations of credit risks. Sales are made to customers meeting the credit rating of the Company. Goods are sold and services rendered subject to payment terms ranging between 8 and 60 days. For major supplies, a different payment term might apply. In that case, additional securities will be required, including guarantees.

***Liquidity risk***

Hirschmann Multimedia Holding B.V. uses several banks. The Company has an overdraft facility with the ABN AMRO Bank giving the Company's receivables as a security. The overdraft facility has been utilized fully predominantly in the latter part of the year. Due to supply chain issues and the tendency to shift cashflow issues from the chain to companies like Hirschmann, the Company is taking the appropriate measure to strengthen its working capital position. At the moment the Company does not use any hedging instrument, but will look at alternatives in the next fiscal year.

## General accounting principles for the preparation of the consolidated financial statements

Income and expenses are accounted for on accrual basis. Profit is only included when realized on balance sheet date, with exception of the projects that are accounted for as estimated percentage of completion. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

***Intangible fixed assets***
Intangible fixed assets are presented at cost less accumulated amortisation and, if applicable, less impairments in value. Amortisation is charged as a fixed percentage of cost, as specified in more detail in the notes to the balance sheet. The useful life and the amortisation method are reassessed at the end of each financial year. For the costs of development a statutory reserve is formed in the amount of the capitalized amount. The presented costs are fully in line with RJ 210.224.

Expenditure on development projects is capitalised as part of the production cost if it is likely from both a commercial and technical perspective that the project will be successful (i.e.: if it is likely that economic benefits will be realised) and the cost can be determined reliably. A legal reserve has been recognised within equity with regard to the recognised development costs for the capitalised amount. The amortisation of capitalised development costs commences at the time when the commercial production starts and takes place over the expected future useful life of the asset.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the income statement.

***Tangible fixed assets***
Tangible fixed assets are presented at cost less accumulated depreciation and, if applicable, less impairments in value. Depreciation is based on the expected future useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use.

Costs for periodical major maintenance are charged to the result at the moment they arise.

***Financial fixed assets***
Deferred tax assets are stated under the financial fixed assets if and to the extent it is probable that the tax claim can be recognised in due course. These deferred tax assets are valued at nominal value and have a predominantly long-term character. The calculation of the deferred tax assets is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law.

***Inventories***
Inventories (stocks) are valued at last paid or estimated purchase price.

The historical cost or production cost consists of all costs relating to the acquisition or production and the costs incurred in order to bring the inventories to their current location and current condition. The production cost includes direct labour and fixed and variable production overheads, taking into account the costs of the operations office, the maintenance department and internal logistics.

Inventories of raw materials, consumables and goods for resale are valued at last paid or estimated purchase price. In determining the realisable value the obsolescence of the inventories is taken into account.
The work in progress and the inventories of finished goods are valued at last paid or estimated purchase price. Cost of manufacture includes direct materials used, direct wages and machine costs and other direct costs of manufacture, together with applicable production overhead. In determining the realisable value the obsolescence of the inventories is taken into account.

***Construction contracts***
Construction contracts for third parties are valued at the realised construction contract costs and net of recognized losses and invoiced instalments. If the result from construction contracts cannot be reliably estimated no profit is attributed. The construction contract costs comprise the costs directly relating to the construction contract, the costs that are attributable to construction contract activities in general and can be attributed to the contract and other costs that are chargeable to the customer under the terms of the contract.

Construction contracts also includes the construction contracts ensuing from the construction contract development, if and insofar as an unconditional sales agreement has been concluded for components of the construction contract prior to or during the construction.

If the aggregate of all construction contracts shows a debit balance, the aggregate balance is presented under the current assets. If the aggregate of all construction contracts shows a credit balance, the aggregate balance is presented under the current liabilities.

Income from construction contracts realised during the financial year is recognised in the profit and loss account as income in the item revenue as percentage of completion which will be further detailed in the notes to the specific items of the consolidated balance sheet.  Construction contract costs are recognized in the cost of sales.

***Receivables***
The Receivables in the Company financial statements fall all due within one year. Upon initial recognition the receivables are valued at fair value and then valued at amortised cost. The fair value and amortised cost equal the face value. Provisions deemed necessary for possible bad debt losses are deducted. These provisions are determined by individual assessment of the receivables.

***Cash and cash equivalents bank and in hand***
Cash at banks and in hand represent cash in hand and bank balances with terms of less than twelve months. Cash at banks and in hand is carried at nominal value.

***Provisions***
Provisions are recognised for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is probable that an outflow of resources will be required and a reliable estimate can be made.

Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. Provisions are measured at the present value of the expenditures expected to be

required to settle the obligation, unless the time value of money is not material. Where the effect of the time value of money is not material, provisions are measured at their nominal value.
If obligations are expected to be reimbursed by a third party, such reimbursement is included as an asset in the balance sheet if it is probable that such reimbursement will be received when the obligation is settled.

***Provisions for pension obligations***

The company has a pension scheme for its employees. The most important characteristics of these schemes are:

- Defined contribution plan for pension and partner pension in case of decease before pension date;
- End pay system for the partner and orphans pension in case of decease of a participant before pension date;
- Anw-hiaatpension;
- Lifecycle investment
- Indexation is not applicable.

The provisions of the Dutch Pension Act (Pensioenwet) are applicable. The company pays premiums based on (legal) requirements, a contractual or voluntary basis to pension funds and insurance companies. Premiums are recognised as employee cost when they are due. If premiums already paid exceed the premium payable to the pension administrator, the excess is recognised as a prepayment if these lead to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities. The contract was renewed in 2021 for a new period of five years with Nationale Nederlanden.

Additions to and release of the obligations are recognized in the profit and loss account. The Company only contributes to the pension plans of its employees and does not guarantee a certain coverage rate. It is up to the employees and the Pension Fund to determine – at time of retirement – how payment will be made. The employee can also decide to put extra money in the Fund before retirement to optimize its return once retired.

***Foreign pension plans***
For foreign pension plans similar to the way in which the Dutch pension system is designed and operates, recognition and measurement of liabilities arising from these pension schemes are carried out in accordance with the measurement of the Dutch pension schemes.

**Deferred tax liabilities**
Deferred tax liabilities are recognised for temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the book values applied in these financial statements on the other. The computation of the deferred tax liabilities is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law.

Deferred income tax is provided on temporary differences arising on investments in group companies, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the company and it is probably that the temporary difference will not reverse in the foreseeable future.

Deferred tax balances are measured at nominal value.

**Current liabilities**
On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are measured at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs. This is usually the nominal value.

***Accounting principles for determining the result***

Income and expenses are accounted for on accrual basis. Profit is only included when realized on balance sheet date, with exception of the projects that are accounted for as estimated percentage of completion. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

***Net revenue***

Net turnover comprises the income from the supply of goods and services and realised income from construction contracts after deduction of discounts and such like and of taxes levied on the turnover. Revenue from the sale of goods and the rendering of services is recognized if the amount or the result can be reliably determined.

***Revenue recognition***

Net turnover comprises the income from the supply of goods and services and realised income from construction contracts in line with percentage of completion after deduction of discounts and such like and of taxes levied on the turnover.

***Revenues from the sale of goods***

Revenues from the goods supplied are recognised when (substantially) all significant risks and significant rights to economic benefits in respect of the goods have been transferred to the buyer.

**Revenues from providing services**

Revenues from the services rendered are recognised in proportion to the services delivered, based on the services rendered up to the balance sheet date in proportion to the total of services to be rendered. These are reflected in the percentage of completion revenues.

**Costs of raw materials and consumables**

Costs of raw materials and consumables are allocated to the period concerned.

***Costs of raw materials and consumables.***

Costs of raw materials and consumables are included in the work in progress number and will be allocated in the inventory in the period in which the final product is delivered by the manufacturer to Company's premises.

***Cost of outsourced work and other external expenses***

Costs of subcontracted work and other external costs are allocated to the period concerned.

***Costs of sales***

The cost of sales consists of the cost of goods sold and delivered, consisting of direct use of materials, direct wages and machine costs and other direct and indirect production costs that can be attributed to the production.

***Employee cost (employee benefits)***

Employee costs (wages, salaries, social security contributions, etc.) are recognised in the consolidated profit and loss account on the basis of the employment terms and tax regulations and are not presented as a separate item in the income statement. These costs are included in other components of the income statement, i.e. selling expenses and general & administration expenses. For a specification, reference is made to the relevant note.

***Applied policy of pension costs***

The company applies the liability approach to account for all pension schemes. The premium (contribution) payable during the reporting year is recognised as an expense. Movements in the pension provision are also charged to the result. No premium is paid in case of disability or WIA-allowance.

***Amortisation of intangible assets and depreciation of property, plant and equipment***
Intangible fixed assets, including goodwill, and tangible fixed assets are depreciated or amortised from the date of initial use over the expected future economic life of the asset. Future depreciation and amortisation is adjusted if there is a change in estimated future useful life.
Gains and losses from the occasional sale of intangible and tangible fixed assets are included in depreciation.

***Other operating expenses***
Costs are determined on a historical basis and are attributed to the reporting year to which they relate.

***Financial income and expenses***
Interest income and expenses are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration. Exchange differences that arise from the settlement or translation of monetary items are recorded in the profit and loss account in the period in which they occur.

***Income tax expense***
Tax on the result is calculated based on the result before tax in the income statement, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate. The company and its group companies form a fiscal unity. In the financial statements of group companies a tax charge is calculated on the basis of the accounting result. The corporate income tax that is due by these group companies is charged into the current accounts with the company.

***Cash flow statement***
The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement.

Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognized as cash used in financing activities. The purchase consideration paid for the acquired group Company has been recognized as cash used in investing activities where it was settled in cash.

Any cash at banks and in hand in the acquired group Company have been deducted from the purchase consideration. Transactions not resulting in inflow or outflow of cash, such as entering into a financial leasing agreement, are not recognized in the cash flow statement. The value of the related asset and lease liability are disclosed in the notes to the balance sheet items. Payments of finance lease instalments qualify as repayments of borrowings under cash used in financing activities and as interest paid under cash generated from operating activities.

**Selling expenses and general and administrative costs**

Selling expenses and general and administrative expenses comprise costs chargeable to the year that are not directly attributable to the cost of the goods and services sold.

**Government subsidies and taxes**
Operating subsidies are recorded as income in the income statement in the year in which the subsidised costs were incurred or income was lost or when there was a subsidised operating deficit. Income is recognised when it is probable that it will be received.

Government taxes are recorded as expenses at the time all conditions with regard to the applicable government tax have been met.

***Percentage of completion.***

The (estimated) percentage of the realisation of work and services of a construction project during a year minus the (estimated) percentage of costs associated with the realisation of work and service of that construction project during a year.

## Notes to the specific items of the consolidated balance sheet

### 1.1 Intangible assets

Movements in intangible assets can be broken down as follows:

| | Development costs | Computer software | Total |
|---|---|---|---|
| | € | € | € |
| **As at 1 January 2022** | | | |
| Acquisition cost | 3.006.422 | 183.345 | 3.189.767 |
| Cumulative amortizations | (1.911.800) | (154.861) | (2.066.661) |
| Carrying amount as at January 1, 2022 | 1.094.622 | 28.484 | 1.123.106 |
| **Movements 2022** | | | |
| Purchased | 183.815 | 0 | 183.815 |
| Amortised | (39.368) | (12.577) | (51.945) |
| Total movements as at December 31, 2022 | 144.447 | (12.577) | 131.870 |
| **At 31 December 2022** | | | |
| Acquisition cost | 3.190.237 | 183.345 | 3.373.582 |
| Cumulative amortizations | (1.951.168) | (167.438) | (2.271.341) |
| Carrying amount as at December 31, 2022 | 1.239.069 | 15.907 | 1.254.976 |
| Amortisation rate | 20% | 20% | |

Development cost relates to product development. A total amount of € 781.223 (2021 € 621.421) at acquisition cost has been capitalized but is still in progress. Therefore amortization has not started yet.

### 1.2 Tangible assets

Movements in tangible assets can be broken down as follows:

| | Office equipment | Other fixed assets | Total |
|---|---|---|---|
| | € | € | € |
| **As at 1 January 2022** | | | |
| Acquisition cost | 1.349.772 | 705.406 | 2.055.178 |
| Cumulative depreciation | (825.569) | (615.627) | (1.441.196) |
| Carrying amount as at January 1, 2022 | 524.203 | 89.779 | 613.982 |
| **Movements 2022** | | | |
| Purchased | 67.286 | 0 | 67.286 |
| Depreciation | (157.677) | (31.266) | (188.943) |
| Carrying amount of disposals | (1.809) | 0 | (1.809) |
| Total movements as at December 31, 2022 | (92.803) | (31.266) | (123.466) |
| **At 31 December 2022** | | | |
| Acquisition cost | 1.417.058 | 705.406 | 2.122.464 |
| Cumulative depreciation | (985.055) | (646.893) | (1.631.948) |
| Carrying amount as at December 31, 2022 | 432.003 | 58.513 | 490.516 |
| Amortisation rate | 20% | 20% | |

The tangible assets are all working properly. None of the assets was out of use during the financial year.

## 1.3 Financial assets

The financial assets mentioned are all deferred tax assets. Recognised and deductible temporary differences and tax losses can be broken down as follows:

| | 2022 | 2021 |
|---|---|---|
| | € | € |
| **At 1 January** | 897.377 | 861.084 |
| Deductible temporary differences | 670 | 0 |
| Deductible gain/losses | (1.645) | 36.293 |
| **At 31 December** | 896.402 | 897.377 |

It is expected the deferred tax assets will be used over the next 3 to 4 years, as reflected in our business plans and 3 year budget.

## 1.4 Inventories

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| | € | € |
| Finished products and goods for resale | 1.582.989 | 1.683.822 |
| Semi-finished products (WIP) | 1.761.884 | 1.511.199 |
| Total inventories | 3.344.873 | 3.195.021 |

A provision of € 50.519 was made on the inventory of finished products and goods for resale.

### 1.4.1. Construction contracts.

The length of the construction projects became unpredictable due to the challenges the Company faced with respect to Covid-19. The earlier mentioned supply chain and raw material issues caused great delays in the delivery of the needed products to complete the project. Furthermore, the lockdowns did not allow Hirschmann to complete the project within the given timeframes.

In the past revenue and to be deducted associated costs were taken once the total project was finished according to the completed contract methodology. To comply with industry standards and to give better insight in the performance of the company management changed its revenue recognition to the percentage of completion method.

As of 2021 each project is reviewed and management assesses how much of the planned work and services have been completed. Based on the outcome a percentage of the contract price is taken as revenue while at the same time a percentage of the estimated costs are taken as cost.

For construction contracts not completed as at the balance sheet date, the accumulated net turnover amounts to € 389.355 (2021: € 775.696). The total of the advance payments received on construction contracts amounts to € 87.190 (2021: € 333.598) and is included in prepayments on orders under current liabilities.

## 1.5 Receivables

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| | € | € |
| Trade receivables | 714.048 | 1.053.738 |
| Prepaid expenses | 431.060 | 367.639 |
| Corporate income tax receivable | 1.645 | 74.889 |
| Other receivables | 85.048 | 37.169 |
| Total receivables | 1.231.801 | 1.533.435 |

All receivables fall due in less than one year. The fair value of the receivables approximates the book value. A provision for doubtful debts was not necessary to be formed during the financial year, as in 2021, due to further strict enforcement of the agreed payment conditions with our customers.

The overdraft facility when used requires a pledge on receivables as security (in FY22 this facility was renewed with pledge on inventory and stock, second in ranking).
The interest rate on this facility amounts to 1 months Euribor + 1.8% mark-up. The facility has been utilized during the financial year.

The prepaid expenses can be broken down as follows:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| | € | € |
| Insurance premiums | 27.350 | 14.346 |
| Other prepaid expenses | 403.710 | 353.293 |
| Total prepaid expenses | 431.060 | 367.639 |

The prepayments comprise costs paid in advance related to the financial year 2022.

## 1.6 Group equity

For details to equity, please refer to the notes to the Company financial statements.

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| | € | € |
| Equity capital | 2.136.678 | 2.333.998 |
| Prior year error correction | | (203.902) |
| Total Group Equity | 2.136.678 | 2.130.096 |

## 1.7 Long term liabilities

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| | € | € |
| Payroll tax | 652.206 | 0 |
| Value added tax | 691.983 | 0 |
| | 1.344.189 | 0 |

During 2022 Dutch government decided that Covid19 and related delayed tax payments could be paid back in 60 months, starting as of October 2022, or as much quicker the Company would plan for.

Associated payroll and value added taxes qualify as long term liabilities for 45 months.

## 1.8 Current liabilities

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| | € | € |
| Trade payables | 1.884.081 | 2.548.309 |

| | | |
|---|---|---|
| Holiday payable | 115.363 | 125.049 |
| Payroll tax | 173.920 | 545.641 |
| NOW payable | 0 | 44.169 |
| Value added tax | 181.440 | 578.572 |
| Short term debt | 978.292 | 916.672 |
| Shareholders loan | 400.000 | 400.000 |
| Other liabilities | 73.876 | 144.800 |
| | 3.806.972 | 5.303.212 |

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to its short term character. The €400k provided loan by Kroon Holding B.V.(4% interest rate) was converted into a subordinated loan during financial year 2022.

## 1.9 Contingent assets and liabilities

*Operational leases*

The obligations from operational leases at the end of the reporting year can be specified as follows:

| | 31-12-2022 | 31-12-2021 |
|---|---|---|
| | € | € |
| Minimal lease payments of operational leases with a maturity within one year | 64.083 | 254.094 |
| Minimal lease payments of operating leases with a maturity exceeding one year and within five years | 343.494 | 312.695 |
| Minimal lease payments of operating leases with a maturity exceeding five years | 0 | 0 |
| Total of minimal lease payments of operating leases | 407.577 | 326.125 |

Lease payments for 2022 amounts to € 407.577 (2021: € 326.125)
The total is slightly lower than previous fiscal year related to currently unfulfilled vacancies.

The lease contracts relate to 31 company cars ranking in five different categories, depending on role and function. It's a full-service contract, including but not limited to maintenance, tires, service and insurance. The contracts are concluded with Broekhuis Lease. Depending on mileage the average contract is concluded for a period of 4 years, with the option to extend the contract or return the vehicle. Furthermore, the contract allows for earlier return. The costs associated will be calculated at the prevailing moment.

If the lease amount in the category exceeds a certain amount, the employee has the option to contribute on a monthly base to the lease instalment to a maximum allowed amount. This contribution will be deducted from the monthly salary. Apart from the employee, any person registered at the same address of the employee with an age > 23 years is allowed to drive the car. The employee has the duty to properly take care of the car and has an own risk of € 150,-- for the second damage in one calendar year.

Due to the shortage of raw materials we have entered into some short lease contracts to provide new employees with a temporary car with fixed terms, but with the option to extend the lease for a fixed new period if needed. However, both the lease instalments of the short lease contracts as the regular multiple year contracts are fixed during the term of the lease. The interest rate is fixed at the start of the contract.

**Specification:**

| | |
|---|---|
| 57.779,42 | multiple year lease BE |
| 250.308,47 | multiple year lease NL |
| 27.236,00 | VAT lease 2022 |

*Rental commitments*

The current rental contract expires 31st of March 2028 with an annual amount of € 165.000.

| | |
|---|---|
| Obligations to pay: | |
| No later than 1 year | €165.000 |
| Later than 1 year and no later than 5 years | €701.250 |

Rental payments for 2022 amounts to € 165.488 (2021: € 177.059)

*Bank facility*

Hirschmann Multimedia B.V. has entered into a bank overdraft facility of € 1.000.000, which was renewed in FY22 for the reasons as mentioned earlier on (Hirschmann Multimedia Holding B.V. to be included). On top of the pledge on receivables, the bank requested a pledge on inventory and stock, currently second in ranking after Swish Fund. The interest rate of this facility amounts to 1 months Euribor + 1.8% mark-up. Due to a different methodology of solvability calculation (equity minus intangible assets) Hirschmann is in breach with the covenants of this facility. However, the bank has confirmed that this has no impact on the provided facility as they do understand that the used calculation methodology with regards to intangible assets (which is in fact the heart of the organization) has a different effect on Hirschmann's ratio's than normally is the case (when intangible assets often reflect goodwill). With the current refinancing of the Company and the strengthening of its working capital position, the bank is looking proactively in good corporation with the Company how it can contribute to this new to be concluded facility.

Of cash and cash equivalents at hand € 50.000 is not at the Company's free disposal, as it is used as a guarantee for the rental of the office building.

*Tax group liability*

Hirschmann Multimedia Holding B.V. forms under the Dutch Collection of State Taxes Act a fiscal unity with her subsidiaries. Therefore Hirschmann Multimedia Holding B.V. is liable for any taxes payable by the tax group.

## Notes to the income statement

### 2.0 Net turnover

Net turnover can be broken down as follows:

| | 2022 | 2021 |
|---|---|---|
| | € | € |
| Trade activities | 6.963.270 | 9.100.668 |
| Income from construction contracts on behalf of third parties | 6.797.579 | 7.243.467 |
| | 13.760.849 | 16.344.135 |

### 2.1 Selling expenses

Selling expenses can be broken down as follows:

| | 2022 | 2021 |
|---|---|---|
| | € | € |
| Wages and salaries | 2.589.075 | 2.704.607 |
| Pension contributions | 263.042 | 293.289 |
| Social security charges | 488.490 | 341.722 |
| Other expenses | 1.358.836 | 1.367.255 |
| | 4.699.443 | 4.706.873 |

Subsidy with regard to development (WBSO) accounts for € 32.874 (2021: € 28.096). The subsidy has been deducted from social security costs.

### 2.2 General & Administration expenses

General and administrative expenses can be broken down as follows:

| | 2022 | 2021 |
|---|---|---|
| | € | € |
| Wages and salaries | 606.608 | 525.186 |
| Pension contributions | 98.881 | 71.300 |
| Social security charges | 63.780 | 37.166 |
| Other expenses | 764.989 | 975.465 |
| | 1.534.258 | 1.609.117 |

### 2.3 Financial expenses and income

| | 2022 | 2021 |
|---|---|---|
| | € | € |
| Interest income | 0 | 5 |
| Interest expense | (85.890) | (13.297) |
| Exchange rate differences | (80.833) | (38.854) |
| | (166.723) | (52.146) |

The exchange rate differences are this year higher than last year due to the increase in production volume in USD and the fluctuations in exchange rates. Going forward the Company will look for more hedging instruments provided by the house bank.

### 2.4 Average number of employees

During the year 2022, the average number of employees, based on full-time equivalents, was 53 (2021: 57). Of these employees 5 were employed outside the Netherlands (2021: 6). Underneath scheme will provide an overview of the deployment of these employees over the various departments of our company.

Average number of employees 2022

| | Active within the Netherlands | Active outside the Netherlands | Total |
|---|---|---|---|
| Management | 4 | | 4 |
| Warehouse and backoffice | 10 | | 11 |
| Sales and supporting functions | 12 | 5 | 18 |
| R&D, operational & technical support | 18 | | 19 |
| Finance | 3 | | 3 |
| HR | 1 | | 1 |
| Average number of employees | 48 | 5 | 53 |

Average number of employees 2021

| | Active within the Netherlands | Active outside the Netherlands | Total |
|---|---|---|---|
| Management | 4 | | 4 |
| Warehouse and backoffice | 11 | | 11 |
| Sales and supporting functions | 12 | 6 | 18 |
| R&D, operational & technical support | 20 | | 20 |
| Finance | 3 | | 3 |
| HR | 1 | | 1 |
| Average number of employees | 51 | 6 | 57 |

## 2.5 Tax on result

The income tax expense of € 1.645 can be broken down as follows:

| | **2022** |
|---|---|
| **Result before taxation** | **8.227** |
| Non-deductible expenses for tax purposes | (0) |
| **Taxable amount** | **8.227** |
| Tax amount | 1.645 |
| **Taxation according to profit and loss** | **0** |

The applicable tax rate is based on the relative proportion of the group companies' contribution to profit and the tax rates ruling in the Netherlands. There are no significant changes as a result of the change in tax rate.

Effective tax rate is 20%.

The result of FY22 (8k) versus FY21 (-80k) improved due to better margin sales and cost reductions.

## 2.6 Remuneration of directors

The directors' remuneration has been omitted according to article 383 BW 2, Title 9, as this can be traced back to one single person.

## 2.7 Subsequent events

To improve the working capital position on short notice a half year loan with Swishfund for € 500k was closed in March 2023. A pledge on inventory and stock has been provided to secure the loan. This capital enabled Hirschmann to reactivate the cable business with a Turkish provider.

As of March 28, 2023 the Company started to work with a factoring facility by NL Credit Services and works in close collaboration to renew and expand its debt facility to enable future growth and face the cashflow challenges caused by supply chain and raw material issues ((full) prepayment of productions. In that respect the Company works currently with two hired consultants from Johnson Corporate Finance. Several options are under investigation.

How Covid-19 will further develop and the taken measures as a result of that cannot be predicted.

## *Company financial statements*

## Company balance sheet as at 31 December 2022
**(after profit appropriation)**

| | | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|---|
| | Note | € | € | € | € |
| *Assets* | | | | | |
| **Non-current assets** | | | | | |
| Financial assets | 3.1 | 2.010.252 | | 1.977.868 | |
| Deferred tax asset | 3.2 | 896.402 | | 897.377 | |
| | | | 2.906.654 | | 2.875.245 |
| **Current assets** | | | | | |
| Receivables | | 1.645 | | 74.889 | |
| Cash and cash equivalents | | 1.480 | | 3.045 | |
| | | | 3.125 | | 77.934 |
| | | | 2.909.779 | | 2.953.179 |

| | Note | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|---|
| | | € | € | € | € |
| *Equity and liabilities* | | | | | |
| **Equity** | 3.3 | | | | |
| Share capital | | 12.600 | | 12.600 | |
| Legal and statutory reserves | | 1.239.069 | | 1.094.622 | |
| Other reserves | | 885.009 | | 1.022.874 | |
| | | | 2.136.678 | | 2.130.096 |
| Current liabilities | | | 773.101 | | 823.083 |
| | | | 2.909.779 | | 2.953.179 |

# Company income statement for the year ended 31 December 2022

| | 2022 | 2021 |
|---|---|---|
| | € | € |
| Share of (loss)/ of associates after tax | 32.382 | (95.400) |
| Tax on result | (25.800) | 15.392 |
| **(Loss)/ for the year** | 6.582 | (80.008) |

# Notes to the Company financial statements

## General accounting principles for the preparation of the financial statements

The company-only financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code.

For the general principles for the preparation of the financial statements, the principles for valuation of assets and liabilities and determination of the result, as well as for the notes to the specific assets and liabilities and the results, reference is made to the notes to the consolidated financial statements, if not presented otherwise hereinafter.

**Participations in group companies**
Participations in group companies in which significant influence is exercised on the business and financial policy, are valued under the net equity value, but not lower than nil. This net asset value is based on the same accounting principles as applied by Hirschmann Multimedia Holding B.V. If the net asset value is negative, the participating interest is valued at nil. This likewise takes into account other long-term interests that should effectively be considered part of the net investment in the participating interest. If the Company fully or partly guarantees the liabilities of the associated Company concerned, or has the effective obligation respectively to enable the associated Company to pay its (share of the) liabilities, a provision is formed. Upon determining this provision, provisions for doubtful debts already deducted from receivables from the associated Company are taken into account.

**Legal reserve for associated companies**
The legal reserve for associated companies is formed in the amount of the share of Hirschmann Multimedia Holding B.V. in the results and direct increases of the associated companies since the initial valuation of these associated companies at net asset value, insofar as Hirschmann Multimedia Holding B.V. cannot realize a distribution without limitations. The statutory reserve for associated companies is determined individually.

**Events after the balance sheet date**
No events occurred after the balance sheet date that are of any influence to the financial report.

**Result from participations**
The result is the amount by which the carrying amount of the participation has changed since the previous financial statements as a result of the earnings achieved by the participation to the extent that this can be attributed to Hirschmann Multimedia Holding B.V.

## Notes to the specific items of the company-only balance sheet

### 3.1 Financial assets

Hirschmann Multimedia Holding has a 100% share in the issued share capital of Hirschmann Multimedia B.V. Movements in financial assets can be broken down as follows:

| | 2022 | 2021 |
|---|---|---|
| | € | € |
| **At 1 January** | 1.977.868 | 2.073.269 |
| Other changes in equity | 0 | 0 |
| Share in result of associated companies | 32.382 | (95.400) |
| **At 31 December** | 2.010.252 | 1.977.868 |

### 3.2 Deferred tax asset

Recognised and deductible temporary differences and tax losses can be broken down as follows:

| | 2022 | 2021 |
|---|---|---|
| | € | € |
| **At 1 January** | 897.377 | 861.084 |
| Deductible temporary differences | 670 | (75.786) |
| Deductible gain/losses | (1.645) | 112.079 |
| **At 31 December** | 896.402 | 897.377 |

| | Settled in 1 year | Settled in 1-5 years |
|---|---|---|
| Deductible temporary differences | 0 | 0 |
| Deductible losses | 125.000 | 771.402 |
| | 125.000 | 771.402 |

## 3.3 Equity

*Share capital*

The authorised share capital of the Company as at 31 December 2022 amounts to € 90.000 and consists of 90.000 ordinary shares with a nominal value of € 1. Of these ordinary shares 12.600 have been issued.

***Share capital***

| | 2022 | 2021 |
|---|---|---|
| | € | € |
| At 1 January | 12.600 | 12.600 |
| Capital redemption | 0 | 0 |
| at 31 December | 12.600 | 12.600 |

*Share premium*

The shareholders paid up an amount of € 132.000 with respect to the 18.000 shares which have been issued. The share premium has been added to the other reserves.

***Legal and statutory reserves***

| | 2022 | 2021 |
|---|---|---|
| | € | € |
| At 1 January | 1.094.622 | 781.165 |
| Capitalized costs | 183.815 | 547.520 |
| Reduction in amount capitalized | (39.368) | (234.063) |
| at 31 December | 1.239.069 | 1.094.622 |

***Other reserves***

| | 2022 | 2021 |
|---|---|---|
| | € | € |
| At 1 January | 1.022.874 | 1.620.241 |
| Addition to legal and statutory reserves | (144.447) | (313.457) |
| Prior year error correction | | (203.902) |
| Result for the year | 6.582 | (80.008) |
| at 31 December | 885.009 | 1.022.874 |

***Current Liabilities:***

The fair value approximates the carrying amount.

***Number of Employees.***

There is one employee employed in Hirschmann Multimedia Holding B.V.

**Contingent assets and liabilities**

*Liability*

Hirschmann Multimedia Holding B.V. has declared to be liable for its daughter company Hirschmann Multimedia B.V. as intended in article 2:403 BW of the Dutch Civil Code.

*Tax group liability*

Hirschmann Multimedia Holding B.V. forms under the Dutch Collection of State Taxes Act a fiscal unity with her subsidiaries. Therefore Hirschmann Multimedia Holding B.V. is liable for any taxes payable by the tax group.

The financial statements of Hirschmann Multimedia Holding B.V. recognise a tax liability based on its profit for financial reporting purposes. Hirschmann Multimedia Holding B.V. settles its intercompany balances with Hirschmann Multimedia B.V. based on the profit for financial reporting purposes.

Weesp, The Netherlands, July 31st, 2023
Hirschmann Multimedia Holding B.V.
The Management Board

Kroon Holding B.V.

Drs. D.A.J. Kroon
Hirschmann Multimedia Holding B.V.
Landstraat 207
1404 JJ  Bussum.

# Other information

## Proposed appropriation of result

It is proposed to add the result for the year 2022 of € 6.582 (2021: € -80.008) to the other reserves. This proposal is already reflected in the financial statements.

# Independent auditor’s report

STICHTING
AUDIT ONLY

**INDEPENDENT AUDITOR'S REPORT**

To: the shareholder of Hirschmann Multimedia Holding B.V.

**Report on the audit of the financial statements 2022 included in the annual report**

**Our opinion**

We have audited the financial statements 2022 of Hirschmann Multimedia Holding B.V. based in Weesp.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Hirschmann Multimedia Holding B.V. as at 31 December 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the consolidated and company balance sheet as at 31 December 2022;
2. the consolidated and company profit and loss account for 2022; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

**Basis for our opinion**

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Hirschmann Multimedia Holding B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics). We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Information in support of our opinion**

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

**Audit approach fraud risks**

In accordance with paragraph 29b of Standard 700, we identified the following fraud risks that required attention during the audit:

1. Breach of internal control measures by management
2. Improper revenue recognition
3. Unlawful payments

Re 1: Management is in a unique position to commit fraud because they are able to manipulate accounting records and prepare fraudulent financial statements by breaching internal controls that otherwise appear to be operating effectively.

In line with our professional standards, we addressed the risk of management breaching internal controls and the fraud risk surrounding the accuracy of revenue recognition.

We addressed the risk of management breaching internal controls by evaluating general journal entries based on certain risk criteria. We also analysed estimates retrospectively and performed detailed analytical procedures.

Re 2: Management may overstate turnover, by recognising turnover prematurely or by recording fictitious turnover.

We have addressed this risk by reviewing revenue entries in the general ledger.

We have performed cut-off procedures on the cash/goods movement.

We have also performed audit work on the projects in progress (such as margin analysis, evaluating profit recognition milestones on projects in progress, post balance sheet procedures and carrying out statistical and non-statistical sampling procedures).

Re 3: There is a risk of unlawful payments.

We performed data analysis on outgoing payments. We also carried out sampling procedures on outgoing payments in expenses, as well as substantive analytical procedures on financial statement items.

**Audit approach going concern**

As disclosed in the general notes on page 13 of the financial statements, management has performed its going concern assessment for the 12-month period from the date of preparation of the financial statements and has not identified any events or circumstances that may cast reasonable doubt on the entity's ability to continue as a going concern (hereafter referred to as going concern risk). Our procedures to evaluate management's going concern assessment included:

- considering whether management's going concern assessment contains all relevant information that we become aware of as a result of our audit, by taking note of interim figures and the directors' report, and inquiring from management on their key estimates and assumptions made. In doing so, management considered, among other things, the expected course of events as reflected in the directors' report;
- making inquiries of management regarding their knowledge of going concern risks beyond the period of the going concern assessment performed by the board;
- obtaining information from management regarding their expectations for the coming year and to what extent the company is able to continue on the basis of the going concern assumption.

**Report on the other information included in the annual report**

The annual report contains other information, in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

-

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code

**Description of responsibilities regarding the financial statements**

**Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

**Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

Deventer, 31 July 2023

Stichting Audit Only

drs. J.A.P. Oomen RA
Registeraccountant