

**Financial report 2016**

**Hirschmann Multimedia  
Holding B.V.**

**Weesp**

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## Directors' report

In line with our strategy the year 2016 has been a year of positive results, further developments of our product portfolio and in our project solutions, as well as in organizational developments to anticipate on the market developments we expect to come and are planning to realize for Hirschmann Multimedia.

Our revenue in 2016 was approximately Euro 14M, as expected 6,5% lower compared to 2015, mainly caused by the lack of activity in the Cable Television segment of our business. Continued investments in our product developments and products for these market will grow our business here as of from next year.

Our industrial and multimedia hospitality projects and services activities were approximately on the same level compared to 2015. Positive order intake development is reflecting the continued investments we made in our sales and technical organization over the years passed. Further development and growth has to be expected here.

Our distribution sales did grow, with approximately 15% compared to last year. Further and accelerated growth has to be expected here for the coming years, due to the extended product developments under way and further sales channel development, for industrial connectors, cable and Ethernet products in special.

Where our gross margin did decline with 4,3% compared to last year, our operating profit of 393K in 2016 did decline even further compared to 2015, due to continued heavy investments in our selling and development (R&D) expenses. This did grow our overall cost structure, to invest in and to anticipate on further growth and development of our activities for the years ahead.

The approximately Euro 0.4M result before taxes (EBIT) in 2016, is allowing us to continue our strategy and further invest in our organization and developments. We are and will be the innovative partner and technology leader to our customers in the markets we act in.

The solvability increased from 72,4% in 2015 to 76,1% in 2016 as a result of an decrease in the equity which was offset by a stronger decrease in balance sheet total.

### *Outlook*

Based on our strategy we foresee continued investments in our product lines, to build and extend as well our Access product line as well as our In-home product portfolio. Also our project solutions will be further developed and extended with additional services and software solutions.

Further infrastructural investments were made to make the next steps in our (strategical) development as a company. Further growth of our average number of employees has been planned for. Also a structural education program has been developed and will be executed for the years to come, to even further professionalize our performance and output.

With the development of our activities and anticipating on further growing our businesses, the intensified cooperation with our production partners will give us the flexibility, scalability, purchase and production efficiencies needed as well as lower rates of capital tied-up.

Further investments in new product developments as well as in capable professionals and more economic (project executing) procedures, should result in growing operating profits for the years to come.

### *Research and Development*

Our own and in home research and development activities are focused on hardware and software developments, to further extend our Access and In-home product portfolio with the newest, innovative features incorporated. Our product development roadmap is both for coaxial as well as fiber network applications and/or hybrid solutions.

The majority of our R&D activities are classified for WBSO subsidies and Innovation box.

For our project solutions, both in multimedia and industrial markets, we constantly develop our knowledge, solution models and hardware/software propositions by training our key staff and extending our project and maintenance services.

A fundamental part of our budget, approximately 7% to sales, was invested again in research & development of new products, services and platforms. This has been budgeted for the next years also.

### *Risk management*

We are working in competitive (sub)markets with rapid changing technological product and solution features. We are focused working on developing our self in our markets, where the natural split of (sub)markets and types of customers is minimizing our strategical risk by spreading our activities over these markets as far as possible.

Our operational risks are minimized by our high quality product and solution strategy. Innovation and quality are fundamental parameters under our strategy. Therefore we work with highly qualified personnel, our ISO and VCA certification and do have high quality and intensive control procedures on our productions and solutions.

As there are no special financial risks and/or uncertainties in our company, we refer here to paragraph 1.8 of our financial report 2016.

With the current general economic positive outlook, in special in the markets we work in, we expect to grow our topline by bringing further innovative developments to our markets and customers, which should with the investments made, our infrastructure and cost infrastructure in special, result in positive bottom line figures for the years ahead. Further investments in people, markets, product lines and infrastructure are anticipated and budgeted for.

Weesp, June 15. 2017.

Board of Directors. Drs. D.A.J. Kroon.

## Consolidated financial statements

**Consolidated balance sheet as at 31 December 2016**  
(after appropriation of result)

	note	31 December 2016		31 December 2015	
		€	€	€	€
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	1.1	1.238.037		745.149	
Tangible assets	1.2	284.533		399.753	
Financial assets	1.3	28.743		19.552	
			1.551.313		1.164.454
<b>Current assets</b>					
Inventories	1.4.	1.884.417		2.009.246	
Receivables	1.5.	1.892.889		1.299.253	
Cash at banks and in hand	1.6.	725.109		2.479.962	
			4.502.416		5.788.461
			6.053.729		6.952.915

		<u>31 December 2016</u>	<u>31 December 2015</u>
	note	€	€
<i>Liabilities</i>			
<b>Group equity</b>			
Equity capital	1.7	4.605.503	5.036.222
<b>Current liabilities</b>	1.8	1.448.226	1.916.693
		<u>6.053.729</u>	<u>6.952.915</u>

## Consolidated income statement for the year ended 31 December 2016

	Note	2016		2015	
		€	€	€	€
<b>Net turnover</b>			13.950.219		15.191.093
Cost of sales			(7.524.975)		(8.476.539)
<b>Gross profit</b>			6.425.244		6.714.554
Selling expenses	2.1	(4.735.002)		(4.625.970)	
General & Administration expenses	2.2	(1.296.416)		(1.265.491)	
<b>Total costs</b>			(6.031.418)		(5.891.461)
<b>Operating profit</b>			393.826		823.093
Financial income and expenses	2.3		985		26.699
<b>Result before tax</b>			394.811		849.792
Tax on result	2.5.		(70.552)		(35.383)
<b>Result after tax</b>			324.259		814.409



## Consolidated cash flow statement for the year ended 31 December 2016

	2016		2015	
	€	€	€	€
<b>Cash flows from operating activities</b>				
Operating profit		393.826		823.093
<i>Adjustments in respect of:</i>				
Amortisation of intangible assets	85.925		29.938	
Depreciation of tangible assets	142.981		122.657	
Movements in provisions	0		0	
		228.906		152.595
<i>Movements in working capital:</i>				
Inventories	124.829		(889.182)	
Construction contracts	(957.525)		(862.870)	
Receivables	(507.077)		(13.510)	
Current liabilities (excluding finance balances)	(72.002)		327.148	
		(1.411.775)		(1.438.414)
<b>Cash generated from operations</b>		(789.043)		(462.726)
Interest received	2.556		14.382	
Interest paid	(1.571)		(4.587)	
Corporate income tax paid on operating activities	(166.302)		(216.816)	
		(165.317)		(207.021)
<b>Net cash generated from operating activities</b>		(954.360)		(669.747)

	2016		2015	
	€	€	€	€
Investments in:				
- Intangible assets	(17.754)		(9.100)	
- Tangible assets	(27.761)		(196.528)	
<b>Net cash generated from investment activities</b>		(45.515)		(205.628)
Dividend paid to Kroon Holding	(754.978)		(400.000)	
<b>Net cash generated from financing activities</b>		(754.978)		(400.000)
Net cash flows		(1.754.853)		(1.275.375)
Net increase/(decrease) on cash at bank and in hand		(1.754.853)		(1.275.375)
<b>The movement in cash at banks and in hand can be broken down as follows:</b>				
<i>Balance as at January 1</i>		2.479.962		3.755.337
Movements during the financial year		(1.754.853)		(1.275.375)
<i>Balance as at 31 December</i>		725.109		2.479.962

## Notes to the consolidated financial statements

### General

#### Activities

The Company has been incorporated on 18 December 2008. 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.

#### 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 Kudelstaartseweg 150, 1433 GN Kudelstaart 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%

#### Consolidation principles

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 consolidated financial statements have been prepared in accordance with the accounting principles of Hirschmann Multimedia Holding B.V.

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.

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

The consolidated financial statements are prepared according to the stipulations in Title 9 Book 2 of the Dutch Civil Code.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention, unless presented otherwise.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on balance sheet date. 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.

### **Comparative figures**

Due to the required comparability, in accordance with art. 2:363 lid 5 of the Dutch Civil Code, the comparative figures of intangible fixed assets, work in progress, revenue and cost of sales have been adjusted. The adjustments did not have any impact on net revenue or shareholders' equity.

### **Financial instruments**

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'.

#### Primary financial instruments

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.

#### **Translation of 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 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.

### **Principles of valuation of assets and liabilities**

#### **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 research and development a statutory reserve is formed in the amount of the capitalized amount.

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 realised in due course. These deferred tax assets are valued at nominal value and have a predominantly long-term character.

### **Inventories**

Inventories (stocks) are valued at historical price or production cost based on the FIFO method (first in, first out) or lower realisable value.

Inventories of raw materials, consumables and goods for resale are valued at acquisition price or lower net realisable value. This lower net realizable value is determined by individual assessment of the inventories. The valuation of inventories of raw materials and consumables is based on standard cost. The inventories of goods for resale are valued individually, at acquisition price or lower net realisable value.

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 the lower of cost of manufacture and net realisable value. This lower net realisable value is determined by individual assessment of the inventories. Cost of manufacture includes direct materials used, direct wages and machine costs and other direct costs of manufacture, together with applicable production overhead. Net realisable value is based on estimated selling price, less any future costs to be incurred for completion and disposal.

### **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 long as the construction contract has not yet been completed. 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 at 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**

#### *Pension plans personnel*

The Company has a pension plan on which the conditions of the Dutch Pension Act are applicable. The Company pays premiums based on (legal) requirements, contractual or voluntary basis to the insurance company. The pension obligations are valued according to the 'valuation to pension fund approach'. This approach accounts for the contribution payable to the pension provider as an expense in the profit and loss account.

Based on the administration agreement it is assessed whether and, if so, which obligations exist in addition to the payment of the annual contribution due to the pension provider as at balance sheet date. These additional obligations, including any obligations from recovery plans of the pension provider, lead to expenses for the group and are included in a provision on the balance sheet. With final salary pension plans an obligation (provision) for (upcoming) past service is included if future salary increases have already been defined as at balance sheet date.

The valuation of the obligation is the best estimate of the amounts required to settle this as at balance sheet date. If the effect of the time value of money is material the obligation is valued at the present value. Discounting is based on interest rates of high-quality corporate bonds.

Additions to and release of the obligations are recognized in the profit and loss account. A pension receivable is included in the balance sheet when the group has the right of disposal over the pension receivable and it is probable that the future economic benefits which the pension receivable holds will accrue to the group, and the pension receivable can be reliably established.

### **Long-term and short-term liabilities**

Upon initial recognition, the loans and liabilities recorded are stated at fair value and then valued at amortised cost.

## **Operational leasing**

The company may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the company. 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 income statement for the duration of the contract.

## **Principles for the determination of results**

### **General**

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

### **Revenue recognition**

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.

### **Sales of goods**

Revenues from the goods supplied are recognised when all significant risks and rewards in respect of the goods have been transferred to the buyer.

Revenue from finalized projects is recognized fully, revenue from work in progress is recognized until the amount of the incurred costs to date.

### **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.

### **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.

### **Interest income and interest 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.

## **Income tax**

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.

## **Deferred tax assets**

Deferred tax assets are recognised for all deductible temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the accounting policies used in these financial statements on the other, on the understanding that deferred tax assets are only recognised insofar as it is probable that future taxable profits will be available to offset the temporary differences and available tax losses.

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.

Deferred income taxes are recognised at nominal value.

## **Principles for preparation of the consolidated cash flow statement**

The cash flow statement is prepared according to the indirect method.

The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents can be considered to be highly liquid investments.

Corporate income taxes, interest received and interest paid are presented under the cash flow from operating activities.

Transactions that do not result in exchange of cash and cash equivalents are not presented in the cash flow statement.



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

### 1.1 Intangible assets

Movements in intangible assets can be broken down as follows:

	Computer Software	Research and development costs	Total
	€	€	€
<b>At 1 January 2016</b>			
Acquisition cost	104.117	744.249	848.366
Cumulative amortizations	(85.139)	(18.078)	(103.217)
Carrying amount as at January 1, 2016	18.978	726.171	745.149
<b>Movements 2016</b>			
Purchased	17.754	561.059	578.813
Amortised	(13.607)	(72.318)	(85.925)
Carrying amount as at December 31, 2016	4.147	488.741	492.888
<b>At 31 December 2016</b>			
Acquisition cost	121.871	1.305.308	1.427.179
Cumulative amortizations	(98.746)	(90.396)	(189.142)
Carrying amount as at December 31, 2016	23.125	1.214.912	1.238.037
Amortisation rate	20%	33,3%	

Research and development cost relates to product development. A total amount of € 716.035 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
	€	€	€
<b>At 1 January 2016</b>			
Acquisition cost	657.608	573.353	1.230.961
Cumulative depreciation	(492.536)	(338.672)	(831.208)
Carrying amount	165.072	234.681	399.753
<b>Movements 2016</b>			
Purchased	20.779	7.195	27.974
Depreciation	(77.062)	(65.919)	(142.981)
Carrying amount of disposals	(213)	0	(213)
Carrying amount as at December 31, 2016	(56.496)	(58.724)	(115.220)
<b>At 31 December 2016</b>			
Acquisition cost	669.672	574.211	1.243.883
Cumulative depreciation	(561.096)	(398.254)	(959.350)
Carrying amount as at December 31, 2016	108.576	175.957	284.533
Amortisation rate	20%-33,33%	20%	

## 1.3 Financial assets

As at balance sheet date the financial assets include the deferred taxes amounting to € 28.743 (2015: € 19.552). The financial assets expected to be realized after one year.

#### 1.4 Inventories

	31 December 2016	31 December 2015
	€	€
Finished products and goods for resale	1.738.581	1.759.164
Semi-finished products (WIP)	145.836	250.082
<b>Total inventories</b>	<b>1.884.417</b>	<b>2.009.246</b>

#### 1.5 Receivables

	31 December 2016	31 December 2015
	€	€
Trade receivables	1.476.735	1.117.994
Prepaid expenses	102.456	58.598
Corporate income tax	182.276	95.717
Other receivables	131.423	26.944
<b>Total receivables</b>	<b>1.892.889</b>	<b>1.299.253</b>

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 formed during the financial year amounting to € 12.376 (2015: € 3.237) that was charged to the profit and loss account.

The receivables will be pledged as security when this facility is needed.

The interest rate on this facility amounts to 1 months Euribor + 1.8% mark-up. The facility has not been utilized during the fiscal year

The prepaid expenses can be broken down as follows:

	31 December 2016	31 December 2015
	€	€
Insurance premiums	39.825	37.513
Other prepaid expenses	62.631	21.085
<b>Total prepaid expenses</b>	<b>102.456</b>	<b>58.598</b>

The prepayments comprise costs paid in advance related to the financial year 2017.

### 1.6 Cash and cash equivalents

Of cash and cash equivalents, € 50.000 is not at the Company's free disposal, including a guarantee of the amount of € 50.000.

### 1.7 Group equity

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

### 1.8 Current liabilities

	31 December 2016	31 December 2015
	€	€
Trade payables	613.912	708.068
Work in progress	303.069	699.535
Holiday payable	81.935	103.273
Payroll tax	161.019	128.718
Corporate Income tax	0	0
Value added tax	133.514	114.663
Other liabilities	154.776	162.436
	<b>1.448.225</b>	<b>1.916.693</b>

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.

Work in progress can be broken down as follows:	<b>31 December 2016</b>	<b>31 December 2015</b>
	€	€
Work in progress on construction contracts for third parties	420.090	1.520.779
Total invoiced instalments	(723.159)	(2.220.314)
	(303.069)	(699.535)

The balance of the work in progress on construction contracts whose invoiced installments and recognized losses exceed the project costs realized and allocated profit amounts to EUR 303.069 (2015: EUR 669.535).

## Financial instruments

### *Currency risk*

Hirschmann Multimedia 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 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 not been utilized during the year.

## 1.9 Contingent assets and liabilities

### *Operational leases*

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

Obligations to pay:	€
No later than 1 year	273.182
Later than 1 year and no later than 5 years	371.658
Later than 5 years	7.882

Lease payments for 2016 amounts to € 346.097 (2015: € 346.198)

### *Rental commitments*

The annual amount of rental commitments in Weesp with respect to land and buildings amounts to approximately € 192.000. The rental commitments expire in 31<sup>st</sup> of March 2021.

### *Bank facility*

Hirschmann Multimedia B.V. has entered into a bank overdraft facility of € 1.000.000. The receivables will be pledged as security when this facility is needed. The interest rate on this facility amounts to 1 months Euribor + 1.8% mark-up. During the year this facility has not been utilized.

## Notes to the income statement

### 2.1 Costs of sales / Selling expenses / General & Administration expenses

Selling expenses can be broken down as follows:

	<u>2016</u>	<u>2015</u>
	€	€
Wages and salaries	3.525.185	3.254.256
Depreciation / amortisation	182.204	100.647
Other expenses	1.027.613	1.271.067
	<u>4.735.002</u>	<u>4.625.970</u>

Subsidy with regard to research and development (WBSO) for the amount of EUR 108.192. The subsidy has been deducted from social security costs.

### 2.2 General & Administration expenses

General and administrative expenses can be broken down as follows:

	<u>2016</u>	<u>2015</u>
	€	€
Wages and salaries	532.153	517.596
Depreciation / amortisation	46.702	51.948
Other expenses	717.561	695.947
	<u>1.296.416</u>	<u>1.265.491</u>

### 2.3 Financial income and expenses

	<u>2016</u>	<u>2015</u>
	€	€
Interest income	(2.556)	(31.286)
Interest expense	1.571	4.587
	<u>(985)</u>	<u>(26.699)</u>

## 2.4 Average number of employees

During the year 2016, the average number of employees, based on full-time equivalents, was 64 (2015: 60). Of these employees 4 were employed outside the Netherlands (2015: 5).

## 2.5 Income tax expense

The income tax expense of EUR 70.552 can be broken down as follows:

	2016
	€
<b>Result before taxation</b>	<b>394.811</b>
Lower depreciation for tax purposes	0
Non-deductible expenses for tax purposes	0
Higher depreciation for tax purposes	0
Investment allowance	0
Deductible expenses for tax purposes	0
<b>Taxable amount</b>	<b>394.811</b>
% of taxable amount	88.703
Adjustment of prior year	(21.476)
Movement in deferred tax asset	3.325
<b>Taxation according to profit and loss</b>	<b>70.552</b>

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.

## Notes to the consolidated cash flow statement

### Notes to cash flows

Under the investments in intangible fixed assets only those investments are presented for which in 2016 cash and cash equivalents were spent. An amount of € 561.059 relates to internal development costs and are therefore not included in the cash flow statement.

### Other Notes

#### Remuneration of directors

The directors' remuneration has been left out according to article 383 BW 2, Titel 9, since the statement will concern one person.



***Company financial statements***

**Balance sheet as at 31 December 2016**  
(after profit appropriation)

Note	31 December 2016		31 December 2015	
	€	€	€	€
<b>Non-current assets</b>				
Financial assets	3.1	4.667.392		5.119.525
Financial assets		28.743		
		4.696.135		
<b>Current assets</b>				
Receivables		182.276	95.718	
Cash and cash equivalents		72	152	
		182.348	95.870	
		4.878.483	5.215.395	

	Note	31 December 2016		31 December 2015	
		€	€	€	€
<i>Equity and liabilities</i>					
<b>Equity</b>	3.2				
Share capital		12.600		12.600	
Share premium		0		0	
Legal and statutory reserves		1.214.912		726.171	
Other reserves		3.377.991		4.279.451	
			4.605.503		5.036.222
Current liabilities			272.980		179.173
			<u>4.878.483</u>		<u>5.215.395</u>

## Company income statement for 2016

	2016	2015
Note	€	€
Share of profit of associates after tax	302.843	815.247
Company profit after tax	21.416	(938)
<b>Profit for the year</b>	<b>324.259</b>	<b>814.309</b>

## Notes to the company-only 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.

### **Proposed appropriation of result**

It is proposed to add the result for the year 2016 of € 324.259 (PY: € 814.309) to the other reserves. This proposal is already reflected in the financial statements.

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

### 3.1 Financial assets

Movements in financial assets can be broken down as follows:

	2016	2015
	€	€
<b>At 1 January</b>	5.119.527	5.241.715
Other changes in equity	(754.978)	(937.437)
Share in result of associated companies	302.843	815.247
<b>At 31 December</b>	4.667.392	5.119.525

### 3.2 Equity

#### *Share capital*

The authorised share capital of the Company as at 31 December, 2016 amounts to EUR 90.000 and consists of 90.000 ordinary shares with a nominal value of EUR 1. Of these ordinary shares 12.600 have been issued.

#### *Share capital*

	2016	2015
	€	€
At 1 January	12.600	18.000
Capital redemption	0	(5.400)
at 31 December	12.600	12.600

#### *Share premium*

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

**Share premium**

	2016	2015
	€	€
At 1 January	0	132.000
Addition to other reserves	0	(132.000)
	0	0

**Legal and statutory reserves**

	2016	2015
	€	€
At 1 January	726.171	312.105
Capitalized costs	488.741	432.144
Reduction in amount capitalized	0	(18.078)
	1.214.912	726.171

**Other reserves**

	2016	2015
	€	€
At 1 January	4.297.451	4.369.033
Dividend distribution	(754.978)	(609.225)
Increase debited from share premium	0	132.000
Capital redemption	0	5.400
Addition to legal and statutory reserves	(488.741)	(414.066)
Result for the year	324.259	814.309
	3.377.991	4.297.451

## **Contingent assets and liabilities**

### *Tax group liability*

Hirschmann Multimedia Holding BV, forms under the Dutch Collection of State Taxes Act an 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.

### **Events after the balance sheet date**

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

Weesp, June 15, 2017  
Hirschmann Multimedia Holding B.V.

The Management Board

Kroon Holding B.V.

drs. D.A.J. Kroon

Hirschmann Multimedia Holding B.V.  
Kudelstaartseweg 150  
1433 GN Kudelstaart



## Other information

### Result appropriation according to the Articles of Association

According to the Articles of Association the result for the year is at the disposal of the general meeting of the shareholders.

## Independent auditor's report



## *Independent auditor's report*

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

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### *Report on the financial statements 2016*

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#### *Our opinion*

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 2016, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the accompanying financial statements 2016 of Hirschmann Multimedia Holding B.V., Weesp ('the company'). The financial statements include the consolidated financial statements of Hirschmann Multimedia Holding B.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2016;
- the consolidated and company income statement for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

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#### *The 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 section 'Our responsibilities for the audit of the financial statements' of our report.

#### *Independence*

We are independent of Hirschmann Multimedia Holding B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ref.: e0404296

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

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In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;
- [add when applicable: the sustainability report, the corporate governance report or specific appendix the directors want to include, etcetera].

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is 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 in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our 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 such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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## *Responsibilities for the financial statements and the audit*

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### *Responsibilities of the board of directors*

The board of directors 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; and for
- such internal control as the board of directors 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, the board of directors is responsible for assessing the company's ability to continue as a going-concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going-concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors 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.



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

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 15 June 2017  
PricewaterhouseCoopers Accountants N.V.

W. Poot RA

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## *Appendix to our auditor's report on the financial statements 2016 of Hirschmann Multimedia Holding B.V.*

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In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### *The auditor's responsibilities for the audit of the financial statements*

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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- 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 intentional 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the 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.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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