

Financial report 2017

**Hirschmann Multimedia
Holding B.V.**

Weesp

Contents

Directors' report	2
Consolidated financial statements	4
Consolidated balance sheet as at 31 December 2017	5
Consolidated income statement for the year ended 31 December 2017	7
Consolidated cash flow statement for the year ended 31 December 2017	8
Notes to the consolidated financial statements	10
Company financial statements	24
Company balance sheet as at 31 December 2017	25
Company income statement for the year ended 31 December 2017	27
Notes to the company balance sheet and income statement	28
Events after the balance sheet date	31
Other information	32
Independent auditor's report	33

Directors' report

The year 2017 has been a year of positive results, growing turnover, 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 2017 was approximately € 15.5M, as expected 11.4% higher compared to 2016, mainly caused by new product introductions in the Cable Television segment of our business (Europe) as well as in our In-home segment (Benelux countries). Continued investments in our product developments and products for these markets will grow our business here for the years to come.

Our industrial projects and services activities were approximately on the same level compared to 2016. 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 as expected stabilize 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.

Our multimedia projects and services did suffer under misperformance of the division, which resulted in changes to this part of the organization by year end. Positive developments in turnover and results are planned for.

Our gross margin of € 6.234K did decline with approximately € 200K compared to last year. Our operating profit of € 233K in 2017 did decline compared to 2016, due to an unfavorable mix in our sales. Also the continued investments in our selling and development (R&D) expenses 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 € 0.24M result before taxes (EBIT) in 2017, 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 was more or less stable in 2017 compared to 2016 (74,6%:2017 to 76,1%:2016). Also our current ratio was quite stable, with only a slight decline from 3.11 in 2016 to 2.98 in 2017.

Outlook

Customers want and need more and more bandwidth, sometimes for content on more devices and sometimes for mission critical applications. 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. Our average number of employees was quite stable, 59FTE in 2017 with approximately 5 vacancies by year end, multimedia projects in special, compared to 64FTE in 2016. Further growth of our average number of employees has been planned for. Also a structural education program has been developed and will be further executed over 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

The ever increasing demands for more capacity and speed are being implemented worldwide by cable and mobile network operators, allowing the expansion and upgrade of existing network infrastructure to continue to match needed fiber speeds.

Our own and in home research and development activities are focused on hardware and software developments, where technological advances, digitalization of data and increased user demands are incorporated.

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.

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.

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. In tandem with service coverage our customers are demanding more.

Risk management

We are working in competitive and developing (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. With our ISO and VCA certified procedures we work in line with legal rules and anticipate and (re)align with changes in laws and rules if applicable.

As there are no special financial risks and/or uncertainties in our company, we refer here to paragraph 1.8 of our financial report 2017.

With the current general economic positive outlook, in special in the markets we work in, we expect to further grow our topline by bringing next generation 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.

Weesp, June 8, 2018.

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

Consolidated financial statements

Consolidated balance sheet as at 31 December 2017
(after appropriation of result)

	note	31 December 2017		31 December 2016	
		€	€	€	€
<i>Assets</i>					
Non-current assets					
Intangible assets	1.1	1.639.724		1.238.037	
Tangible assets	1.2	201.492		284.533	
Financial assets	1.3	50.616		28.743	
			1.891.832		1.551.313
Current assets					
Inventories	1.4.	2.467.423		1.884.417	
Receivables	1.5.	1.663.695		1.892.890	
Cash at banks and in hand	1.6.	866.502		725.109	
			4.997.620		4.502.416
			6.889.452		6.053.729

		<u>31 December 2017</u>	<u>31 December 2016</u>
	note	€	€
<i>Liabilities</i>			
Group equity			
Equity capital	1.7	4.791.174	4.605.503
Current liabilities	1.8	2.098.278	1.448.226
		<u>6.889.452</u>	<u>6.053.729</u>

Consolidated income statement for the year ended 31 December 2017

	Note	2017		2016	
		€	€	€	€
Net turnover			15.498.992		13.950.219
Cost of sales			(9.264.524)		(7.524.975)
Gross profit			6.234.468		6.425.244
Selling expenses	2.1	(4.797.463)		(4.735.002)	
General & Administration expenses	2.2	(1.204.113)		(1.296.416)	
Total costs			(6.001.576)		(6.031.418)
Operating profit			232.892		393.826
Financial income and expenses	2.3		3.306		985
Result before tax			236.198		394.811
Tax on result	2.5.		(50.527)		(70.552)
Result after tax			185.671		324.259

Consolidated cash flow statement for the year ended 31 December 2017

	2017		2016	
	€	€	€	€
Cash flows from operating activities				
Operating profit		232.892		393.826
<i>Adjustments in respect of:</i>				
Amortisation of intangible assets	220.126		85.925	
Depreciation of tangible assets	121.412		142.981	
Movements in provisions	0		0	
		341.538		228.906
<i>Movements in working capital:</i>				
Inventories	(583.006)		124.829	
Construction contracts	(518.030)		(957.525)	
Receivables	89.517		(507.077)	
Current liabilities (excluding finance balances)	546.720		(72.002)	
		(465.249)		(1.411.775)
Cash used in operations		109.181		(789.043)
Interest received	3.305		2.556	
Interest paid	0		(1.571)	
Corporate income tax paid on operating activities	67.278		(166.302)	
		70.583		(165.317)
Net cash Used in operating activities		179.764		(954.360)

	2017		2016	
	€	€	€	€
Investments in:				
- Intangible assets	0		(17.754)	
- Tangible assets	(38.371)		(27.761)	
Net cash used in investment activities		(38.371)		(45.515)
Dividend paid to Kroon Holding	0		(754.978)	
Net cash used in financing activities		0		(754.978)
Net cash flows		(38.371)		(1.754.853)
Net increase/(decrease) on cash at bank and in hand		141.393		(1.754.853)
The movement in cash at banks and in hand can be broken down as follows:				
<i>Balance as at January 1</i>		725.109		2.479.962
<i>Movements during the financial year</i>		141.393		(1.754.853)
<i>Balance as at 31 December</i>		866.502		725.109

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 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.

General accounting principles for the preparation of the consolidated financial statements

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.

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.

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.

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 a defined contribution plan, contractual 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.

Additions to and release of the obligations are recognized in the profit and loss account.

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
	€	€	€
At 1 January 2017			
Acquisition cost	121.871	1.305.308	1.427.179
Cumulative amortizations	(98.746)	(90.396)	(189.142)
Carrying amount as at January 1, 2017	23.125	1.214.912	1.238.037
Movements 2017			
Purchased	0	621.813	621.812
Amortised	(10.007)	(210.119)	(220.126)
Carrying amount as at December 31, 2017	(10.007)	411.693	401.686
At 31 December 2017			
Acquisition cost	121.871	1.927.121	2.048.991
Cumulative amortizations	(108.753)	(300.515)	(409.268)
Carrying amount as at December 31, 2017	13.118	1.626.606	1.639.724
Amortisation rate	20%	33,3%	

Research and development cost relates to product development. A total amount of € 554.734 (2016: € 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
	€	€	€
At 1 January 2017			
Acquisition cost	669.672	574.211	1.243.883
Cumulative depreciation	(561.096)	(398.254)	(959.350)
Carrying amount	108.576	175.957	284.533
Movements 2017			
Purchased	28.587	11.547	40.134
Depreciation	(62.032)	(59.380)	(121.412)
Carrying amount of disposals	(1.763)	0	(1.763)
Carrying amount as at December 31, 2017	(35.208)	(47.833)	(83.041)
At 31 December 2017			
Acquisition cost	687.452	585.758	1.273.210
Cumulative depreciation	(614.084)	(457.634)	(1.071.718)
Carrying amount as at December 31, 2017	73.368	128.124	201.492
Amortisation rate	20%-33,33%	20%	

1.3 Financial assets

As at balance sheet date the financial assets include the deferred taxes amounting to € 50.616 (2016: € 28.743). The financial assets expected to be realized after one year.

1.4 Inventories

	31 December 2017	31 December 2016
	€	€
Finished products and goods for resale	1.762.429	1.738.581
Semi-finished products (WIP)	704.994	145.836
Total inventories	2.467.423	1.884.417

1.5 Receivables

	31 December 2017	31 December 2016
	€	€
Trade receivables	1.447.538	1.476.735
Prepaid expenses	65.394	102.456
Corporate income tax	42.599	182.276
Other receivables	108.164	131.423
Total receivables	1.663.695	1.892.890

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 € 0 (2016: € 12.736) 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 2017	31 December 2016
	€	€
Insurance premiums	35.990	39.825
Other prepaid expenses	29.404	62.631
Total prepaid expenses	65.394	102.456

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

1.6 Cash at banks and in hand

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 2017	31 December 2016
	€	€
Trade payables	1.193.321	613.912
Work in progress	406.851	303.069
Holiday payable	87.664	81.935
Payroll tax	153.850	161.019
Value added tax	118.685	133.514
Other liabilities	137.907	154.776
	2.098.278	1.448.225

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:

	31 December 2017	31 December 2016
	€	€
Work in progress on construction contracts for third parties	254.023	420.090
Total invoiced instalments	(660.874)	(723.159)
	(406.851)	(303.069)

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 € 406.851 (2016: € 303.069).

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:

Obligations to pay:	€
No later than 1 year	244.460
Later than 1 year and no later than 5 years	305.166
Later than 5 years	0

Lease payments for 2017 amounts to € 325.286 (2016: € 346.097)

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 31st 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:

	2017	2016
	€	€
Wages and salaries	3.363.397	3.525.185
Depreciation / amortisation	304.824	182.204
Other expenses	1.129.242	1.027.613
	4.797.463	4.735.002

Subsidy with regard to research and development (WBSO) for the amount of € 82.320 (2016: € 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:

	2017	2016
	€	€
Wages and salaries	509.196	532.153
Depreciation / amortisation	36.714	46.702
Other expenses	658.203	717.561
	1.204.113	1.296.416

2.3 Financial income and expenses

	2017	2016
	€	€
Interest income	(3.305)	(2.556)
Interest expense	0	1.571
	(3.305)	(985)

2.4 Average number of employees

During the year 2017, the average number of employees, based on full-time equivalents, was 59 (2016: 64). Of these employees 4 were employed outside the Netherlands (2016: 4).

2.5 Tax on result

The income tax expense of € 50.527 can be broken down as follows:

	2017
	€
Result before taxation	236.198
Lower depreciation for tax purposes	0
Non-deductible expenses for tax purposes	5.915
Higher depreciation for tax purposes	0
Investment allowance	0
Deductible expenses for tax purposes	0
Taxable amount	242.113
Tax amount	50.527
Adjustment of prior year	
Movement in deferred tax asset	
Taxation according to profit and loss	50.527

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.

Average tax rate 20,87%.

2.6 Remuneration of directors

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

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.

Company financial statements

Company balance sheet as at 31 December 2017
(after profit appropriation)

Note	31 December 2017		31 December 2016	
	€	€	€	€
Non-current assets				
Financial assets	3.1	4.858.551	4.667.392	
Financial assets		50.616	28.743	
		4.909.167	4.696.135	
Current assets				
Receivables		42.599	182.276	
Cash and cash equivalents		354	72	
		42.953	182.348	
		4.952.120	4.878.483	

		31 December 2017		31 December 2016	
	Note	€	€	€	€
<i>Equity and liabilities</i>					
Equity	3.2				
Share capital		12.600		12.600	
Legal and statutory reserves		1.626.605		1.214.912	
Other reserves		3.151.969		3.377.991	
			4.791.174		4.605.503
Current liabilities			160.946		272.980
			4.952.120		4.878.483

Company income statement for the year ended 31 December 2017

	<u>2017</u>	<u>2016</u>
Note	€	€
Share of profit of associates after tax	191.159	302.843
Company profit after tax	<u>(5.488)</u>	<u>21.416</u>
Profit for the year	<u>185.671</u>	<u>324.259</u>

Notes to the company balance sheet and income statement

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 2017 of € 185.671 (2016: € 324.259) to the other reserves. This proposal is already reflected in the financial statements.

Events after the balance sheet date

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

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:

	2017	2016
	€	€
At 1 January	4.667.392	5.119.527
Other changes in equity	0	(754.978)
Share in result of associated companies	191.159	302.843
At 31 December	4.858.551	4.667.392

3.2 Equity

Share capital

The authorised share capital of the Company as at 31 December, 2017 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

	2017	2016
	€	€
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 during the year.

Share premium

	2017	2016
	€	€
At 1 January	0	0
Addition to other reserves	0	0
	0	0
at 31 December	0	0

Legal and statutory reserves

	2017	2016
	€	€
At 1 January	1.214.912	726.171
Capitalized costs	411.693	488.741
Reduction in amount capitalized	0	0
	1.626.605	1.214.912
at 31 December	1.626.605	1.214.912

Other reserves

	2017	2016
	€	€
At 1 January	3.377.991	4.297.451
Dividend distribution	0	(754.978)
Increase debited from share premium	0	0
Capital redemption	0	0
Addition to legal and statutory reserves	(411.693)	(488.741)
Result for the year	185.671	324.259
	3.151.969	3.377.991
at 31 December	3.151.969	3.377.991

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.

Weesp, June 8, 2018
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

Independent auditor's report

Hirschmann Multimedia Holding B.V., Weesp

Page 32



Independent auditor's report

To: the general meeting of Hirschmann Multimedia Holding B.V.

Report on the financial statements 2017

Our opinion

In our opinion, Hirschmann Multimedia Holding B.V.'s financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2017 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 2017 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 2017;
- the consolidated and company income statement for 2017; and
- 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.

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.

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

Independence

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 assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

KPJNUC6WFFJS-889817070-22

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Report on the other information included in the annual report

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.

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 the 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 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

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.

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, 8 June 2018
PricewaterhouseCoopers Accountants N.V.

W. Poot RA

Appendix to our auditor's report on the financial statements 2017 of Hirschmann Multimedia Holding B.V.

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.