Financial report 2020

Hirschmann Multimedia Holding B.V.

Weesp

PricewaterhouseCoopers
Accountants N.V.
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HIRSCHMANN MULTIMEDIA

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Directors' report

Overview

Hirschmann Multimedia is an international technology company that develops and offers broadband technologies and products, industrial network solutions and related services. Our customer base consists of cable and telecom operators, distributors to retail and installation companies as well as industrial and public sector organizations. Our business is divided into two areas, which are broadband products (in-home and telecom) and network solutions (multimedia and industrial). In both areas we rank among technological innovators.
The strategic priorities in 2021 include development of the distributed access architecture offering and launch of sales in Europe. Significant growth in sales and operational result is also expected in our network solution sales and services, by picking up postponed investments, launching new concepts (Cloud solutions) and improved services business.

Developments during the financial year

It is impossible to have an overview of 2020 without putting it in the framework of the coronavirus pandemic. The virus and the prevention measures it necessitated created considerable and unpredictable challenges globally, which also had major impacts on business conditions.
For Hirschmann Multimedia the impacts of the pandemic started to be seen in March when various countries imposed measures to combat the virus. In response to these measures, our customers restricted their business for a couple of months, our supply chain and component availability were also restricted but in total did not have a decisive impact on our delivery capacity.
The pandemic slowed down our net sales and adjusted operating result decreased for a certain period in 2020. However our order backlog recovered and continued to grow, resulting in an order backlog by the end of the year of approximately Euro 4,5 million (2019; 2 million).
Net sales decreased by 2.6% to Euro 14.9 million (2019; 15.3 million). Net sales increased in our inhouse product sales channels with 3,3% despite the temporary coronavirus impact at the beginning of the year, where net sales in access products as well as project solutions and services decreased as a result of postponed and delayed investments due to corona restrictions.
Our operating result improved to -828K (2019; -2.396K) as a result of cost saving measurements but not yet positive as planned, due to slower as expected market entrance of our access network products and even more by delayed deliveries of our products from our production partners as result of the coronavirus restrictions in material availability and logistics.
The success of our business fell short of our expectations as we faced challenges particular in relation to our supply chain and production partners in the Far East. The availability of certain key parts were under expectation and calculation. As it was not possible to sufficiently adapt to this in the short term, with associated confirmed delivery schedules to our customers, the results of these productions had a negative impact on our deliveries in 2020 but also resulting in our all-time high backlog by the end of the year.
An adjusted operating result would be positive as per year end.
Our solvability ratio is a solid 33.2% (2019; 57.3%) with an extended balance sheet due to higher inventories and receivables.

Business areas

We made again strong progress in developing our product range, both for our in-home product portfolio as well as for our access product lines. We intensified our cooperation with our customers in the Benelux and started to develop our international sales channels, for access products in special.

With efficiency improvements measures already taken since 2019 to our supply chain and production partners, as well through additional managerial production capacity hired, we have already produced results but we will continue to implement further development measures here in 2021 to create flexibility and scale ability for our growth opportunities.

Investments

Investments totaled Euro 0.33 million (2019: 0.5 million) representing 2.3% of net sales. Of the investments 0.13 million was related to product development, other investments included investing in our own IT and security environment as well as measuring instruments.
As in the years before Hirschmann Multimedia invested heavily in research and development in 2020, mainly driven by the R&D department. This will further be executed and expand the product and solution offering and Hirschmann's ability to support customers with highly competitive products and solutions.

Social and personnel issues

In the period under review the average number of FTE was 61 (2019; 58). At the end we employed 60,78 FTE with 4 vacancies.
Personnel expenses more or less stabilized to Euro 4.2 million, including Euro 0.2 million NOW support from the government as compensation for the coronavirus impact on sales and securing employability of employees on the payroll.
Other key indicators included no workplace incidents and the absence rate due to illness was pretty high at 5.0%, including several coronavirus illnesses.
Further limited growth of our average number of employees has been planned for.

Environmental issues

Hirschmann Multimedia is committed to protecting the environment. We support sustainable development as well as the reduction of resource consumption and environmental pollution.
We are known by our low power consumption products which is a key factor in our product development. Our most important environmental considerations related to our normal operations are reducing the volume of waste and minimizing energy consumption.
In 2021 our head office in Weesp will be renovated to the new environmental building standards as of 2023, reducing energy consumption by better isolation and let lightning and more.

Opportunities and risks faced by the business areas

The coronavirus pandemic posed considerable challenges to the daily functioning of society. The restrictions introduced around the world to mitigate the pandemic led to a significant increase in remote work and, as a result, household data traffic.
Consequently operators focused on securing the functionality of existing networks instead of making new investments. The transition to distributed access architecture was therefore also delayed.
However in our view the technological transformation is coming and we expect increasing demand for our access network products in the next few years to come.
On the other hand after absorbing the first chock of the coronavirus, people started to invest in their inhouse network, which since summer last year did result in a growing demand for our inhouse product lines resulting in growing sales and turnover.
Although the year was challenging, we made no compromises in our future oriented development efforts. Thanks to continuous development, we are a reliable partner with a strong foundation for continuing the development of its offering in a sustainable and environmentally friendly manner.
Guided by our new organizational functional structure, we are able to respond more efficiently to needs arising from global trends and strengthen our market position.

Our competent, dedicated and enthusiastic personnel have done an outstanding job and coped with the sometimes rapid changes in everyday life excellently.
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.
Our strategy is to further diversify our customer portfolio by internationalization of our access product customer base and diversifying our network solutions into more/other market segments in the Benelux.

Operating environment in and outlook for 2021

Despite the long shadow of the pandemic, we believe 2021 will be brighter than the past year. When the extensive coronavirus vaccination programs begin, business conditions will improve and we expect to further extend to sustainable growth.
It is expected that operators will launch distributed access architecture deployment projects during the second half of the year and the growth prospects in industrial and multimedia projects are also promising.
Nevertheless it is self-evident that we will live within the framework set by the coronavirus pandemic at least for this year. Forecasts indicate that it is possible that similar exceptional circumstances will arise in the future too. The lessons learnt from ordeals must be scrutinized carefully for future reference. For this reason we will continue to build Hirschmann's business operations in a more sustainable direction, in line with our strategy of diversification.
On the other hand there are many positive signals in our markets as well. Continuous growth in the need for more bandwidth in networks will stimulate investments in networks, product for networks and requested services.
Our operating environment is characterized by continuous change. Technology life cycles are becoming shorter and new products and services are being designed at an accelerating rate.
Hirschmann Multimedia does not expect impact on net sales in special from the Covid-19 pandemic this year. With a solid order backlog of approximately Euro 6 million at the moment, we also expect to growth our business in 2021, resulting in a year to year growth with positive operating results.
Impact of Covid-19 on our supply and logistical chains are still evident. Material shortages, chips in special, and logistical limitations are impacting our delivery schedules. Because this is recognized in the global market as a general issue at the moment, we feel confident we can manage this without negative impact on our performance and market shares.
As in 2020, where the extended delivery schedules partly where financed by governmental tax support under Covid-19 measurements, we expect to have no funding needs for our growth strategy in 2021, other than possible extraordinary growth steps where we have temporary funding options available. Our cashflow strategy is, as stated in our balance sheet, to finance our activities with equity capital and no external funding other than regular accounts payable terms.
Due to the constant changing and difficult to forecast exact market circumstances we feel not confident to give more detailed number forecasts at the moment. Our forecast tends nevertheless to be positive for this year.

Weesp, July 22, 2021.

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

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Consolidated financial statements

Consolidated balance sheet as at 31 December 2020
(after appropriation of result)

	note	31 December 2020 €	€	31 December 2019 €	€
Assets					
Non-current assets					
Intangible assets	1.1	810.215		1.068.760	
Tangible assets	1.2	272.850		140.187	
Financial assets	1.3	861.084		604.884	
			1.944.149		1.813.831
Current assets					
Inventories	1.4.	2.429.779		1.978.747	
Receivables	1.5.	1.535.300		887.178	
Cash at banks and in hand	1.6.	478.311		100.170	
			4.443.390		2.966.095
			6.387.539		4.779.926

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	note	31 December 2020	31 December 2019
		€	€
Group equity and liabilities			
Group equity			
Equity capital	1.7	2.210.104	2.772.829
Current liabilities	1.8	4.177.435	2.007.097
		6.387.539	4.779.926

Consolidated income statement for the year ended 31 December 2020

			2020		2019
	Note	€	€	€	€
Net turnover	2.0		14.890.080		15.345.645
Cost of sales			(8.995.339)		(10.783.343)
Gross profit			5.894.741		4.562.302
Selling expenses	2.1	(5.312.306)		(5.405.488)	
General & Administration Expenses	2.2	(1.410.691)		(1.473.843)	
Total costs			(6.722.997)		(6.879.331)
Operating loss			(828.256)		(2.317.029)
Financial income and Expenses	2.3		8.229		(91.261)
Result before tax			(820.027)		(2.408.290)
Tax on result	2.5.		257.304		522.598
Result after tax			(562.723)		(1.885.692)

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Consolidated cash flow statement for the year ended 31 December 2020

	2020		2019	
	€	€	€	€
Cash flows from operating activities				
Operating loss		(828.256)		(2.317.029)
Adjustments in respect of:				
Amortisation of intangible assets	495.069		506.434	
Depreciation of tangible assets	73.646		79.024	
Movements in provisions	0		0	
		568.715		585.458
Movements in working capital:				
Inventories	(451.033)		799.313	
Construction contracts	167.374		256.425	
Receivables	(637.527)		559.650	
Current liabilities (excluding finance balances)	1.792.070		(369.833)	
		870.884		1.245.555
Cash flows from operating activities		611.343		(486.016)
Interest paid	(1.585)		(1.740)	
Corporate income tax paid on operating activities	(9.490)		(54.491)	
		(11.075)		(56.231)
Net cash generated from operating activities		600.268		(542.247)

	2020		2019	
	€	€	€	€
Investments in:				
- Intangible assets	(132.586)		(26.370)	
- Tangible assets	(206.309)		(66.552)	
Net cash used in investment activities		(338.895)		(92.922)
Dividend paid to Kroon Holding	0		0	
Net cash generated from financing activities		9.812		(89.521)
Net cash flows		271.185		(724.690)
Net increase/(decrease) on cash at bank and in hand		271.185		(724.690)

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

	2020	2019
Balance as at January 1	(359.405)	365.285
Movements during the financial year	271.185	(724.690)
Balance as at 31 December	(88.220)	(359.405)

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.

The entity's ability to continue as a going concern – COVID-19

The COVID-19 outbreak has developed rapidly in 2020. As explained in paragraph Subsequent events, measures taken by various governments to contain the virus have negatively affected economic activity and our business in various ways.

The currently known impact of COVID-19 on the group are:

- The reduction of economic activity has resulted in a reduction of sales in general
- A decrease in projects for hospitality in special
- Customer investment decisions are postponed and/or takes more time to be approved
- A reduction in the supply of goods and materials worldwide, the Far East in special, as well as by reduced and/or more complicated shipping, has affected our ability to deliver our products as planned.

In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity and it is unknown what the longer-term impact on our business may be. The COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on our liquidity. I.e. a second lockdown in the Netherlands or in other countries we operate in, a significant economic recession, the closure of the Chinese borders, which would result in supply chain disruption.

We seek to obtain the best possible information to enable us to assess these risks and implement appropriate measures to respond. We have taken and will take a number of measures to monitor and prevent the effects of the COVID-19 virus. This includes safety and health measures for our people (like social distancing and working from home), in-depth contract reviews and securing additional financing to support continuity of our operations. Planned actions include, when required, use of support made available by governments in the countries in which we operate and other crisis management and business continuity measures for short-, mid- and long-term scenarios. I.e. we have made sure that our investment level is flexible, and we have cost cutting plans available.

We have applied for the Dutch government assistance measures. Governments in other countries in which we operate have also announced the implementation of government assistance measures which may mitigate the impact of the COVID-19 outbreak on our results and liquidity. However, the details of available arrangements and the period through which they remain available are unknown.

Based on the facts and circumstances known at this moment and the possible scenarios about how the COVID-19 virus and resulting government measures could evolve, management has determined that the use of the going concern assumption is warranted, but that there is a material uncertainty resulting from COVID-19 that may cast significant doubt upon the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Based on the circumstances described above, the financial statements are prepared on the assumption that the entity is a going concern.

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 Marne 67, 1186 PD Amstelveen 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%

Comparison with previous year

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

Judgements, estimates and uncertainties

In applying the principles and policies for preparing the financial statements, the directors of Hirschmann Multimedia Holding B.V. make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the true and fair view required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including assumptions related to the uncertainties, is disclosed in the notes to the relevant financial statement items.

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.

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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 been utilized partially 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 recognised 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

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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.

Accounting policies for the cash flow statement

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

Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognized as cash used in financing activities. The purchase consideration paid for the acquired group company has been recognized as cash used in investing activities where it was settled in cash.
Any cash at banks and in hand in the acquired group company have been deducted from the purchase consideration. Transactions not resulting in inflow or outflow of cash, such as entering into a financial leasing agreement, are not recognized in the cash flow statement. The value of the related asset and lease liability are disclosed in the notes to the balance sheet items. Payments of finance lease instalments qualify as repayments of borrowings under cash used in financing activities and as interest paid under cash generated from operating activities.

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.

Employee cost (employee benefits)

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

Principles for preparation of the consolidated cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities.

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
	€	€	€
As at 1 January 2020			
Acquisition cost	172.405	2.222.378	2.394.783
Cumulative amortizations	(131.584)	(1.194.439)	(1.326.023)
Carrying amount as at January 1, 2020	40.821	1.027.939	1.068.760
Movements 2020			
Purchased	0	236.524	236.524
Amortised	(11.771)	(483.298)	(495.069)
Total movements as at December 31, 2020	(11.771)	(246.774)	(258.545)
At 31 December 2020			
Acquisition cost	172.405	2.458.902	2.631.307
Cumulative amortizations	(143.355)	(1.677.737)	(1.821.092)
Carrying amount as at December 31, 2020	29.050	781.165	810.215
Amortisation rate	20%	33,3%	

Research and development cost relates to product development. A total amount of € 356.553 (2019: € 252.614) at acquisition cost has been capitalized but is still in progress. Therefore amortization has not started yet.

1.2 Tangible assets

Movements in tangible assets can be broken down as follows:

	Office equipment	Other fixed assets	Total
	€	€	€
As at 1 January 2020			
Acquisition cost	786.341	593.992	1.380.333
Cumulative depreciation	(690.973)	(549.173)	(1.240.146)
Carrying amount as at January 1, 2020	95.368	44.819	140.187
Movements 2020			
Purchased	100.743	105.566	206.309
Depreciation	(38.099)	(35.547)	(73.646)
Carrying amount of disposals	0	0	0
Total movements as at December 31, 2020	62.644	70.019	132.663
At 31 December 2020			
Acquisition cost	887.084	699.558	1.586.642
Cumulative depreciation	(729.072)	(584.720)	(1.313.792)
Carrying amount as at December 31, 2020	158.012	114.838	272.850
Amortisation rate	20%-33,33%	20%	

1.3 Financial assets

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

	2020	2019
	€	€
At 1 January	604.884	77.523
Deductible temporary differences	52.297	42.571
Deductible losses	203.903	484.790
At 31 December	861.084	604.884

1.4 Inventories

	31 December 2020	31 December 2019
	€	€
Finished products and goods for resale	1.900.040	1.785.089
Semi-finished products (WIP)	529.739	193.658
Total inventories	2.429.779	1.978.747

1.5 Receivables

	31 December 2020	31 December 2019
	€	€
Trade receivables	1.363.811	736.736
Prepaid expenses	54.378	52.788
Corporate income tax receivable	37.982	0
Other receivables	79.129	97.654
Total receivables	1.535.300	887.178

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All receivables fall due in less than one year. The fair value of the receivables approximates the book value. A provision for doubtful debts was not necessary to be formed during the financial year, as in 2019, due to further strict enforcement of the agreed payment conditions with our customers.

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 been utilized during the fiscal year

The prepaid expenses can be broken down as follows:

	31 December 2020	31 December 2019
	€	€
Insurance premiums	21.316	23.827
Other prepaid expenses	33.062	28.961
Total prepaid expenses	54.378	52.788

The prepayments comprise costs paid in advance related to the financial year 2020.

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 2020	31 December 2019
	€	€
Trade payables	1.830.912	970.148
Work in progress	421.959	150.647
Holiday payable	117.347	98.890
Payroll tax	476.569	158.085
NOW 2020 payable	28.949	0
Value added tax	495.729	33.129
Short term debt	566.531	459.575
Other liabilities	239.439	136.623
	4.177.435	2.007.097

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 2020	31 December 2019
	€	€
Work in progress on construction contracts for third parties	464.333	241.790
Total invoiced instalments	(886.292)	(392.437)
	(421.959)	(150.647)

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 € 421.959 (2019: € 150.647).

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	280.616
Later than 1 year and no later than 5 years	389.255
Later than 5 years	0

Lease payments for 2020 amounts to € 331.462 (2019: € 310.349)

Rental commitments

The rental commitments expired 31st of March 2021.
The current rental contract expires 31st of March 2028 with an annual amount of € 165.000.

Obligations to pay:	€
No later than 1 year	175.059
Later than 1 year and no later than 5 years	660.000
Later than 5 years	371.250

Rental payments for 2020 amounts to € 203.888 (2019: € 199.067)

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.

Notes to the income statement

2.0 Net turnover

Net turnover can be broken down as follows:

	2020	2019
	€	€
Trade activities	8.522.089	11.016.353
Income from construction contracts on behalf of third parties	6.367.991	4.329.292
	14.890.080	15.345.645

2.1 Selling expenses

Selling expenses can be broken down as follows:

	2020	2019
	€	€
Wages and salaries	3.119.725	2.837.808
Pension contributions	312.345	278.793
Social security charges	438.729	426.391
NOW	(190.688)	0
Depreciation / amortisation	547.518	560.031
Other expenses	1.084.677	1.302.465
	5.312.306	5.405.488

Subsidy with regard to research and development (WBSO) for the amount of € 24.468 (2019: € 31.044). The subsidy has been deducted from social security costs.

As a result of the negative impact that the Covid-19 pandemic has had on our sales, from April to June 2020, we have claimed and received the NOW1 benefit for this period.

2.2 General & Administration expenses

General and administrative expenses can be broken down as follows:

	2020	2019
	€	€
Wages and salaries	477.817	489.993
Pension contributions	69.638	67.416
Social security charges	47.899	52.378
NOW	(16.445)	0
Depreciation / amortisation	21.197	25.427
Other expenses	810.585	838.629
	1.410.691	1.473.843

2.3 Financial income and expenses

	2020	2019
	€	€
Interest income	(188)	(209)
Interest expense	1.771	1.949
Exchange rate differences	(9.812)	89.521
	(8.229)	91.261

2.4 Average number of employees

During the year 2020, the average number of employees, based on full-time equivalents, was 57 (2019: 57).
Of these employees 5 were employed outside the Netherlands (2019: 5).

2.5 Tax on result

The income tax expense of € 257.304 can be broken down as follows:

		2020
		€
Result before taxation		**(820.027)**
Non-deductible expenses for tax purposes	(10.140)	
Taxable amount		**(830.167)**
Tax amount	(257.304)	
Taxation according to profit loss		**(257.304)**

The applicable tax rate is based on the relative proportion of the group companies' contribution to profit and the tax rates ruling in the Netherlands. There are no significant changes as a result of the change in tax rate. Included in the tax amount is € 52.297 that is related to deferred taxes.

Effective tax rate 30,99%.

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.

2.7 Subsequent events

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity and our business in various ways:

- The reduction of economic activity has resulted in a reduction of sales in general
- A decrease in projects for hospitality in special
- Customer investment decisions are postponed and/or take more time to be approved
- A reduction in the supply of goods and materials worldwide, the Far East in special, as well as by reduced and/or more complicated shipping, has affected our ability to deliver our products as planned.

Two years of negative cash flows because of investments, were supposed to lead to benefits in 2020. However, as a result of these above-named effects, our cumulative revenues in the first 5 months of 2020 were lower than our 2020 revenues in the same period. Even though our operating results have declined in the beginning of 2020 and have been negative, at the moment we also expect to growth our business in the second half of 2020, resulting in a year to year growth with positive operating results.

In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity and it is unknown what the longer-term impact on our business may be. The COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on our liquidity. I.e. a second lockdown in the Netherlands or in other countries we operate in, a significant economic recession, the closure of the Chinese borders, which would result in supply chain disruption.

We seek to obtain the best possible information to enable us to assess these risks and implement appropriate measures to respond. We have taken and will take a number of measures to monitor and prevent the effects of the COVID-19 virus. This includes safety and health measures for our people (like social distancing and working from home), in-depth contract reviews and securing additional financing to support continuity of our operations. Planned actions include, when required, use of support made available by governments in the countries in which we operate and other crisis management and business continuity measures for short-, mid- and long-term scenarios. I.e. we have made sure that our investment level is flexible, and we have cost cutting plans available.

We have applied for the Dutch government assistance measures. Governments in other countries in which we operate have also announced the implementation of government assistance for which we did not apply.

The exact impact on our activities in the remainder of 2020 and thereafter cannot be predicted. We also refer to the notes of the consolidated financial statements.

Company financial statements

Company balance sheet as at 31 December 2020
(after profit appropriation)

	Note	31 December 2020		31 December 2019	
		€	€	€	€
Assets					
Non-current assets					
Financial assets	3.1	2.073.269		2.698.884	
Deferred tax asset	3.2	861.084		604.884	
			2.934.353		3.303.768
Current assets					
Receivables		0		1.290	
Cash and cash equivalents		3.401		73	
			3.401		1.363
			2.937.754		3.305.131

		31 December 2020		31 December 2019	
	Note	€	€	€	€
Equity and liabilities					
Equity	3.3				
Share capital		12.600		12.600	
Legal and statutory reserves		781.165		1.027.939	
Other reserves		1.620.241		1.732.290	
			2.414.006		2.772.829
Current liabilities			523.748		532.302
			2.937.754		3.305.131

Company income statement for the year ended 31 December 2020

	2020	2019
	€	€
Share of (loss)/profit of associates after tax	(616.125)	(2.408.290)
Tax on result	257.304	522.598
(Loss)/profit for the year	(358.821)	(1.885.692)

Notes to the company financial statements

General accounting principles for the preparation of the financial statements

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

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

Participations in group companies

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

Legal reserve for associated companies

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

Events after the balance sheet date

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

Result from participations

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

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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:

	2020	2019
	€	€
At 1 January	2.698.884	4.891.878
Other changes in equity	(13.909)	(307.302)
Share in result of associated companies	(611.706)	(1.885.692)
At 31 December	2.073.269	2.698.884

3.2 Deferred tax asset

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

	2020	2019
	€	€
At 1 January	604.884	77.523
Deductible temporary differences	52.297	42.571
Deductible losses	203.903	484.790
At 31 December	861.084	604.884

(x 1.000)	Settled in 1 year	Settled in 1-5 years
	€	€
Deductible temporary differences	-2.750	175.141
Deductible losses	125.000	563.693
	122.250	738.834

3.3 Equity

Share capital

The authorised share capital of the Company as at 31 December, 2020 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

	2020	2019
	€	€
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

	2020	2019
	€	€
At 1 January	0	0
Addition to other reserves	0	0
at 31 December	0	0

Legal and statutory reserves

	2020	2019
	€	€
At 1 January	1.027.939	1.663.732
Capitalized costs	236.523	(143.192)
Reduction in amount capitalized	(483.297)	(492.601)
at 31 December	781.165	1.027.939

Other reserves

	2020	2019
	€	€
At 1 January	1.732.290	2.982.189
Dividend distribution	0	0
Increase debited from share premium	0	0
Capital redemption	0	0
Addition to legal and statutory reserves	246.772	635.793
Result for the year	(358.821)	(1.885.692)
at 31 December	1.620.241	1.732.290

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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, July 22, 2021
Hirschmann Multimedia Holding B.V.

The Management Board

Kroon Holding B.V.

Drs. D.A.J. Kroon

Hirschmann Multimedia Holding B.V.
Marne 67
1186 PD Amstelveen

Other information

Proposed appropriation of result

It is proposed to add the result for the year 2020 of € -562.723 (2019: € -1.885.692) to the other reserves. This proposal is already reflected in the financial statements.

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Independent auditor's report