



Statsautoriseret
Revisionspartnerselskab
Krøyer Kielbergs Vej 3, 5.th.
8660 Skanderborg
Tlf.: 87 93 00 99
CVR-nr. 37 55 70 64
www.advosion.dk

ETK EMS SKANDERBORG A/S

Industrivej 45
Stilling
8660 Skanderborg

CVR no. 20 17 72 84

ANNUAL REPORT FOR 2016/17 (21th Financial year)

Adopted at the annual general
meeting on
26. oktober 2017

chairman

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STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The supervisory and executive boards have today discussed and approved the annual report of ETK EMS Skanderborg A/S for the financial year 1 July 2016 - 30 June 2017.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 30 June 2017 and of the results of the company's operations and cash flows for the financial year 1 July 2016 - 30 June 2017.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved at the annual general meeting.

Stilling, 26 October 2017

Executive board

Thomas Vinter
President

Supervisory board

Thomas Vinter

Torben Drejer

Steen Tygesen

INDEPENDENT AUDITOR'S REPORT

To the shareholders of ETK EMS Skanderborg A/S

Opinion

We have audited the financial statements of ETK EMS Skanderborg A/S for the financial year 1 July 2016 - 30 June 2017, which comprise a summary of significant accounting policies, income statement, balance sheet, cash flow statement and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 30 juni 2017 and of the results of the company's operations and cash flows for the financial year 1 July 2016 - 30 June 2017 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the financial statements

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, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

INDEPENDENT AUDITOR'S REPORT

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

Statement on management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Skanderborg, 26 October 2017

ADVOSION

statsautoriseret revisionspartnerselskab
CVR no. 37 55 70 64

Ole Christensen
State Authorised Public Accountant

Henrik Hansen
State Authorised Public Accountant

COMPANY DETAILS

The company

ETK EMS Skanderborg A/S
Industrivej 45
Stilling
8660 Skanderborg

CVR no.: 20 17 72 84
Reporting period: 1 July 2016 - 30 June 2017
Domicile: Skanderborg

Supervisory board

Thomas Vinter
Torben Drejer
Steen Tygesen

Executive board

Thomas Vinter, President

Auditors

ADVOSION
statsautoriseret revisionspartnerselskab
Kristiansvej 13
8660 Skanderborg

FINANCIAL HIGHLIGHTS

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2016/17	2015/16	2014/15	2013/14	2012/13
	T.EUR	T.EUR	T.EUR	T.EUR	T.EUR
Key figures					
Gross profit/loss	4,947	4,812	5,007	5,485	7,112
Profit/loss before financial income and expenses	557	663	1,122	869	1,684
Profit/loss for the year	415	374	352	134	751
Balance sheet total	14,073	16,631	15,890	15,442	16,002
Equity	4,086	5,014	4,640	4,278	5,370
Number of employees	78	82	82	92	114
Financial ratios					
Return on assets	3.6%	4.1%	7.2%	5.5%	11.3%
Solvency ratio	29.0%	30.1%	29.2%	27.7%	33.6%
Return on equity	9.1%	7.7%	7.9%	2.8%	15.0%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies..

MANAGEMENT'S REVIEW

Business activities

The year's activity, similiary to previous years, has consisted of fabrication of and trading in electronic equipment and expertise concerning such.

Business review

The Company's income statement for the year ended 30 June shows a profit of EUR 415,410, and the balance sheet at 30 June 2017 shows equity of EUR 4,086,335.

MANAGEMENT'S REVIEW

Financial review

By the financial year 2016/17, ETK EMS Group has added yet another year of expected growth that fulfill the expectation of the shareholders.

During the last year, the EMS market have shown exactly the need for a vision that support the unpredictability in the market. Some customer have had very stable growth and have won market shares and some customers have had difficulty in defending their shares. Some customers have made acquisitions and some been acquired.

ETK EMS's vision is to be scalable in all perspectives in balance with profitability and we are pleased to see that we in 2016/17 again have managed to secure two digits growth rates.

In late financial year, 2015/16 ETK EMS opened yet another factory in Rayong, Thailand and this first year of extended capacity gave growth to new major accounts. Already now, these accounts having significant presence and will be part of the platforms for our growth in the upcoming years.

The plan for growth towards 2020 is ahead of targets.

The continued development of the strong back-end competence center in Rayong, Thailand that serves all divisions of the Group have added additional competences to the team in 2016/17. Latest competence added is building of test platforms and fixtures. This back office center have again in the last year supported the financial result in both ETK EMS Skanderborg and ETK EMS Frederikssund making these divisions capable of achieving a result higher than the expected numbers by the Top Management.

All 3 sites have in 2016/17 had very stable turnover for all the known and long-term relationship customers. Besides this, all 3 sites have also had satisfactory growth in establishment of new customer relationship. In the last year the sales organization have been strength with additional experienced key account management staff. The outcome of this extension did not have impact to 2016/17 result but expected in minor degree in 2017/18 financial year.

The result for ETK EMS Group ApS 2016/17 was budgeted to be in the area of 8-10% growth on net result profit before tax. We achieved 11%, which is very satisfactory for the Management. The expectation for the financial year 2017/18 is to reach growth of 9-11%. After 4 months of this financial year, these numbers are looking realistic assuming that there are no potential impacts beyond management's control.

Entering into 2018 where ETK EMS will celebrate 40 years of anniversary the organization and business systems have never been stronger. With the extended support and drive from our global customer base we feel comfortable that we will fulfill the growth plan and profit targets set by the shareholders.

MANAGEMENT'S REVIEW

Significant events occurring after end of reporting period

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Thomas Vinter
President, Partner

Torben Drejer
COO, Partner

ACCOUNTING POLICIES

The annual report of ETK EMS Skanderborg A/S for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied are consistent with those of last year.

The annual report for 2016/17 is presented in EUR

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report are presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less raw materials and consumables and other external expenses.

Revenue

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

ACCOUNTING POLICIES

Revenue from services, comprising service contracts and extended warranties relating to products and contracts sold, is recognised on a straight-line basis as the services are provided.

Raw materials and consumables

Expenses for raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Balance sheet

Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-8	years
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ACCOUNTING POLICIES

Leasehold improvements 5 years

Assets costing less than EUR 6,700 are expensed in the year of acquisition.

Stocks

Stocks are measured using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Mortgage debt is thus measured at amortised cost, which for cash loans corresponds to the outstanding debt. For bond loans, amortised cost corresponds to an outstanding debt calculated as the underlying cash value of the loan at the time of borrowing, adjusted by amortisation of the value adjustment of the loan at the time of borrowing.

Other liabilities, which include trade receivables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

ACCOUNTING POLICIES

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

Cash flow statement

The cash flow statement shows the company's cash flows for the year, broken down under cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents and the company's cash and cash equivalents at the beginning and at the end of the year.

The cash flow effect of additions and disposals of entities is shown separately under cash flows from investing activities. The cash flow statement includes cash flows from acquired entities from the time of acquisition, and cash flows from sold entities are included until the date of sale.

Cash flows from operating activities

Cash flows from operating activities are stated as the profit or loss for the year, adjusted for non-cash operating items, changes in working capital and paid income taxes.

Cash flows from investing activities

Cash flows from investing activities comprise payments related to the acquisition and sale of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs, as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

ACCOUNTING POLICIES

Financial Highlights

Definitions of financial ratios.

Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

INCOME STATEMENT 1 JULY - 30 JUNE

	<u>Note</u>	<u>2016/17</u> EUR	<u>2015/16</u> EUR
Gross profit		4,947,052	4,812,188
Staff costs	1	<u>-4,279,026</u>	<u>-4,033,247</u>
Earnings Before Interest Taxes Depreciation and Amortization		668,026	778,941
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<u>-111,146</u>	<u>-115,920</u>
Profit/loss before financial income and expenses		556,880	663,021
Financial income		160,821	27,596
Financial costs		<u>-183,822</u>	<u>-210,351</u>
Profit/loss before tax		533,879	480,266
Tax on profit/loss for the year	2	<u>-118,469</u>	<u>-106,069</u>
Net profit/loss for the year		<u>415,410</u>	<u>374,197</u>
Proposed dividend for the year		537,880	1,344,200
Retained earnings		<u>-122,470</u>	<u>-970,003</u>
		<u>415,410</u>	<u>374,197</u>

BALANCE SHEET 30 JUNE

	Note	2017 EUR	2016 EUR
Assets			
Other fixtures and fittings, tools and equipment		174,140	161,250
Leasehold improvements		9,087	12,111
Tangible assets	3	183,227	173,361
Deposits		181,622	176,261
Fixed asset investments		181,622	176,261
Fixed assets total		364,849	349,622
Raw materials and consumables		1,980,740	1,509,048
Finished goods and goods for resale		1,327,246	1,870,025
Stocks		3,307,986	3,379,073
Trade receivables		2,447,814	3,658,400
Receivables from subsidiaries		7,721,423	9,155,969
Other receivables		107,919	151
Deferred tax asset		29,384	25,130
Prepayments		7,426	59,322
Receivables		10,313,966	12,898,972
Cash at bank and in hand		86,668	3,736
Current assets total		13,708,620	16,281,781
Assets total		14,073,469	16,631,403

BALANCE SHEET 30 JUNE

	Note	2017 EUR	2016 EUR
Liabilities and equity			
Share capital		180,190	180,125
Retained earnings		3,368,265	3,489,434
Proposed dividend for the year		537,880	1,344,200
Equity	4	4,086,335	5,013,759
Subordinate loan capital		0	1,599,599
Long-term debt		0	1,599,599
Banks		6,038,388	6,267,930
Trade payables		1,610,765	1,187,425
Payables to subsidiaries		1,706,712	1,823,678
Other payables		631,269	739,012
Short-term debt		9,987,134	10,018,045
Debt total		9,987,134	11,617,644
Liabilities and equity total		14,073,469	16,631,403
Charges and securities	5		
Related parties and ownership	6		

CASH FLOW STATEMENT 1 JULY - 30 JUNE

	<u>Note</u>	<u>2016/17</u> EUR	<u>2015/16</u> EUR
Net profit/loss for the year		415,410	374,197
Adjustments		1,348,714	404,743
Change in working capital		<u>2,037,363</u>	<u>-782,143</u>
Cash flows from operating activities before financial income and expenses		3,801,487	-3,203
Interest income and similar income		160,821	27,596
Interest expenses and similar charges		<u>-210,350</u>	<u>-210,351</u>
Cash flows from ordinary activities		3,751,958	-185,958
Corporation tax paid		<u>-122,714</u>	<u>-114,943</u>
Cash flows from operating activities		3,629,244	-300,901
Purchase of property, plant and equipment		-121,014	-61,255
Fixed asset investments made etc		<u>-5,361</u>	<u>-5,138</u>
Cash flows from investing activities		-126,375	-66,393
Repayment of payables to subsidiaries		-476,138	1,259,607
Repayment of other long-term debt		-1,599,599	-892,035
Dividend paid		<u>-1,344,200</u>	<u>0</u>
Cash flows from financing activities		-3,419,937	367,572
Change in cash and cash equivalents		82,932	278
Cash and cash equivalents		<u>3,736</u>	<u>3,458</u>
Cash and cash equivalents		86,668	3,736
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		<u>86,668</u>	<u>3,736</u>
Cash and cash equivalents		86,668	3,736

NOTES

	2016/17 EUR	2015/16 EUR
1 Staff costs		
Wages and salaries	3,905,967	3,699,666
Pensions	297,357	272,518
Other social security costs	75,702	61,063
	4,279,026	4,033,247
Average number of employees	84	78
2 Tax on profit/loss for the year		
Current tax for the year	122,714	114,277
Deferred tax for the year	-4,245	-8,208
	118,469	106,069
3 Tangible assets		
	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 July 2016	2,338,105	15,139
Exchange adjustment	867	6
Additions for the year	120,950	0
Disposals for the year	0	0
Cost at 30 June 2017	2,459,922	15,145
Impairment losses and depreciation at 1 July 2016	2,176,855	3,028
Exchange adjustment	809	1
Depreciation for the year	108,118	3,029
Impairment losses and depreciation at 30 June 2017	2,285,782	6,058
Carrying amount at 30 June 2017	174,140	9,087

NOTES

4 Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
Equity at 1 July 2016	180,125	3,489,434	1,344,200	5,013,759
Exchange adjustments	65	1,301	0	1,366
Ordinary dividend paid	0	0	-1,344,200	-1,344,200
Net profit/loss for the year	0	-122,470	537,880	415,410
Equity at 30 June 2017	180,190	3,368,265	537,880	4,086,335

5 Charges and securities

A company mortgage has been established for EUR 2 million to the benefit of financial institutions. A general floating charge has also been established as security for bank debt of ETK EMS Frederikssund A/S.

The company has entered into a financial leasing contract concerning the leasing of plant and machinery. The leasing commitment comprises in total EUR 146,800.

The company is jointly and severally liable for tax on consolidated taxable income and dividend tax. The total amount of income tax payable etc. is shown in the annual report for Javitek ApS, which is the management company in relation to the joint taxation.

The company has issued a payment guarantee of EUR 67,235 in favour of a trading partner.

6 Related parties and ownership

Controlling interest

Closely related parties with determining influence comprise the parent company of ETK EMS Group ApS, Industrivej 45, Stilling, DKK-8660 Skanderborg and Javitek ApS, Karlslundvej 7, DKK-8330 Beder, which prepares the group accounts on which ETK EMS Skanderborg A/S is included as a subsidiary.

Other related parties

Closely related parties with significant influence comprise ETK EMS Properties ApS, Hakuna Matata ApS, ETK EMS Frederikssund A/S and ETK EMS Asia Produktions Ltd. as well as the boards and senior management.

NOTES

6 Related parties and ownership (continued)

Transactions

During the course of the year, apart from transactions internal to the group undertaken at market-related conditions and normal management remuneration, there have been no transactions carried out with the boards, senior management, associated companies or other closely related parties.

Ownership

According to the Company's register of shareholders, the following shareholders hold a minimum of 5% of the voting rights or a minimum of 5% of the share capital:

ETK EMS Group ApS