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ETK EMS GROUP APS

Industrivej 45
Stilling
8660 Skanderborg

CVR no. 27 52 31 88

ANNUAL REPORT FOR 2017/18
(12th Financial year)

Adopted at the annual general
meeting on
20. november 2018

Thomas Vinter
chairman

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STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The executive board has today discussed and approved the annual report of ETK EMS Group ApS for the financial year 1 July 2017 - 30 June 2018.

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

In my opinion, the financial statements give a true and fair view of the company's financial position at 30 June 2018 and of the results of the company's operations for the financial year 1 July 2017 - 30 June 2018.

In my 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 by the company in general meeting.

Skanderborg, 20 November 2018

Executive board

Thomas Vinter
President

INDEPENDENT AUDITOR'S REPORT

To the shareholders of ETK EMS Group ApS

Opinion

We have audited the financial statements of ETK EMS Group ApS for the financial year 1 July 2017 - 30 June 2018, which comprise a summary of significant accounting policies, income statement, balance sheet 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 June 2018 and of the results of the company's operations for the financial year 1 July 2017 - 30 June 2018 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 the 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.

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.

INDEPENDENT AUDITOR'S REPORT

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.

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.

INDEPENDENT AUDITOR'S REPORT

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, 20 November 2018

ADVOISION

statsautoriseret revisionspartnerselskab
CVR no. 37 55 70 64

Ole Christensen
State Authorised Public Accountant
MNE no. mne3602

Henrik Hansen
State Authorised Public Accountant
MNE no. mne21336

COMPANY DETAILS

The company

ETK EMS Group ApS
Industrivej 45
Stilling
8660 Skanderborg

CVR no.: 27 52 31 88
Reporting period: 1 July 2017 - 30 June 2018
Domicile: Skanderborg

Executive board

Thomas Vinter, President

Auditors

ADVOSION
statsautoriseret revisionspartnerselskab
Kristiansvej 13
8660 Skanderborg

MANAGEMENT'S REVIEW

Business activities

The company's primary activity is to be a holding company.

Business review

The company's income statement for the year ended 30 June shows a profit of EUR 2,335,874, and the balance sheet at 30 June 2018 shows equity of EUR 9,331,822.

Financial review

By the financial year 2017/18, ETK EMS Group has added yet another successful year of growth. For this financial year, it even exceeds the expectation of the shareholders.

The result for 2017/18 was budgeted to be in the area of 9-10% growth. We achieved 11%, which is very satisfactory for the Management. The expectation for the financial year 2018/19 is to continue the growth. After the result of the first quarter of financial year, 2018/19 the expectation is to reach a result minimum in the level of both 2016/17 and 2017/18.

The global EMS market have during this financial year continued with high level of unpredictability but overall nearly all segments are facing growth. The market is still full of optimism and segments like Automotive, IoT (Internet of Things), Healthcare, Robotics, etc. are introducing high number of new products to their global customers.

ETK EMS's vision is to be scalable in all perspectives in balance with profitability and we are pleased to see that we in 2017/18 again have managed to secure two digits growth rates.

In the financial year, 2017/18 ETK EMS have celebrated two anniversary in the Group. Late 2017 we had the pleasure of celebrating the 10 years anniversary of the site in Rayong, Thailand. This site opened up in 2007 and after few years, the growth increased significantly after ETK EMS acquired the site in 2011. Ever since the site have only experienced year-by-year growth and with the opening of an additional factory back in 2015/16 the site is prepared for additional growth in the years to come. The anniversary, together with the grand opening of our new canteen facility, were together with all the dedicated employees celebrated. Year 2018 is also the 40th year's anniversary of ETK EMS. The company started back in 1978 by two enthusiastic electronic engineers from Skanderborg, Denmark. The anniversary was celebrated with customers, suppliers and business partners in September 2018 but all year this have been celebrated together with the employees by having social arrangements.

The activity in new product introduction (NPI) department have been all-time high in 2017/18. Customers in nearly all segments have introduced significant numbers of new products and ETK EMS's dedicated set-up with machinery and staff only serving this business have never before handled so many prototypes in one financial year. The support for customers in this segment is not only for mass production customers at ETK EMS but also Design house and customers with own internal production facilities.

MANAGEMENT'S REVIEW

At ETK EMS, one of the strategic target have been creating a business model that can reach out and supply customers in many countries and continents. The target was to supply customers in up to 15 countries latest in 2020. It is with proud that the ETK EMS team achieved this target already in the financial year 2017/18. Since year-end, additional one country is now on the list.

Significant events occurring after end of reporting period

October 2018 ETK EMS acquired competitor Delfi Electronics with manufacturing site in Sønderborg, Denmark. ETK EMS bought all assets and activities and expectations is that this acquisition will have overall positive impact to the profitability in the Group already in the financial year 2018/19.

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

ACCOUNTING POLICIES

The annual report of ETK EMS Group ApS for 2017/18 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected provisions as regards larger entities.

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 is 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 costs of raw materials and consumables and other external expenses.

Other external expenses

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

ACCOUNTING POLICIES

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.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at the proportionate share of the net asset value of the entities, calculated on the basis of the group's accounting policies, plus or less unrealised intra-group gains or losses and plus or less any remaining value of positive or negative goodwill stated according to the purchase method.

Investments in subsidiaries and associates with a negative net asset value are measured at DKK 0, and the carrying amount of any receivables from these entities is reduced to the extent that they are considered irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the receivable, the balance is recognised under provisions.

Net revaluations of investments in subsidiaries and associates are taken to the net revaluation reserve according to the equity method in so far as that the carrying amount exceeds the cost. Dividends from subsidiaries which are expected to be declared before the annual report of ETK EMS Group ApS is adopted are not taken to the net revaluation reserve.

Acquisitions are accounted for using the purchase method, cf. the above description of the statement of goodwill.

Receivables

Receivables are measured at amortised cost.

ACCOUNTING POLICIES

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.

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

INCOME STATEMENT 1 JULY - 30 JUNE

	Note	2017/18 EUR	2016/17 EUR
Gross profit		-1,450	-1,439
Income from investments in subsidiaries		2,491,628	1,958,461
Financial income	1	0	44,946
Financial costs	2	-198,235	-109,610
Profit/loss before tax		2,291,943	1,892,358
Tax on profit/loss for the year	3	43,931	14,689
Profit/loss for the year		2,335,874	1,907,047
Proposed dividend for the year		0	537,880
Reserve for net revaluation under the equity method		2,491,628	1,420,581
Retained earnings		-155,754	-51,414
		2,335,874	1,907,047

After end of the financial year an extraordinary dividend of EUR 1,878,520 has been distributed.

BALANCE SHEET 30 JUNE

	<u>Note</u>	<u>2018</u> EUR	<u>2017</u> EUR
Assets			
Investments in subsidiaries	4	17,311,337	15,389,617
Fixed asset investments		17,311,337	15,389,617
Total non-current assets		17,311,337	15,389,617
Receivables from group entities		100,635	0
Receivables from associates		33,545	134,470
Deferred tax asset		43,931	0
Receivables		178,111	134,470
Total current assets		178,111	134,470
Total assets		17,489,448	15,524,087

BALANCE SHEET 30 JUNE

	Note	2018 EUR	2017 EUR
Equity and liabilities			
Share capital		16,773	16,809
Reserve for net revaluation under the equity method		9,462,991	6,986,428
Retained earnings		-147,942	7,829
Proposed dividend for the year		0	537,880
Equity	5	9,331,822	7,548,946
Banks		1,703,232	0
Payables to group entities		6,451,039	7,971,779
Other payables		3,355	3,362
Total current liabilities		8,157,626	7,975,141
Total liabilities		8,157,626	7,975,141
Total equity and liabilities		17,489,448	15,524,087
Mortgages and collateral	6		

NOTES

	<u>2017/18</u>	<u>2016/17</u>
	EUR	EUR
1 Financial income		
Exchange adjustments	<u>0</u>	<u>44,946</u>
	<u>0</u>	<u>44,946</u>
2 Financial costs		
Financial expenses, group entities	179,456	55,601
Other financial costs	18,779	54,677
Exchange loss	<u>0</u>	<u>-668</u>
	<u>198,235</u>	<u>109,610</u>
3 Tax on profit/loss for the year		
Current tax for the year	0	-15,133
Deferred tax for the year	<u>-43,931</u>	<u>444</u>
	<u>-43,931</u>	<u>-14,689</u>

NOTES

	2018 EUR	2017 EUR
4 Investments in subsidiaries		
Cost at 1 July 2017	7,864,643	6,630,939
Exchange adjustment	-16,961	2,466
Additions for the year	0	1,231,238
Cost at 30 June 2018	7,847,682	7,864,643
Revaluations at 1 July 2017	7,524,974	6,932,095
Exchange adjustment	-16,227	2,569
Net profit/loss for the year	2,725,614	2,169,502
Received dividend	-536,720	-1,344,700
Amortisation of goodwill	-233,986	-234,492
Revaluations at 30 June 2018	9,463,655	7,524,974
Carrying amount at 30 June 2018	17,311,337	15,389,617
Remaining positive difference included in the above carrying amount at 30 June 2018	1,871,890	

Investments in subsidiaries are specified as follows:

Name	Registered office	Share capital	Ownership interest
ETK EMS Skanderborg A/S	Skanderborg	1,340,0000 DKK	100%
ETK EMS Frederikssund A/S	Frederikssund	800,000 DKK	100%
ETK EMS Asia Ltd.	Thailand	90,265,500 Bath	100%
ETK EMS Properties ApS	Skanderborg	125.000 DKK	100%

NOTES

5 Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
Equity at 1 July 2017	16,809	6,986,428	7,829	537,880	7,548,946
Exchange adjustments	-36	-15,065	-17	-1,160	-16,278
Ordinary dividend paid	0	0	0	-536,720	-536,720
Net profit/loss for the year	0	2,491,628	-155,754	0	2,335,874
Equity at 30 June 2018	16,773	9,462,991	-147,942	0	9,331,822

6 Mortgages and collateral

Shares of nom. EUR 179,801 for ETK EMS Skanderborg A/S have been posted as security for bank debt and bank debt in ETK EMS Skanderborg A/S and ETK EMS Frederikssund A/S.

ETK EMS Group ApS has issued a guarantee for bank debt of its subsidiaries of ETK EMS Skanderborg A/S and ETK EMS Frederikssund A/S.

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.

Dette dokument er underskrevet af nedenstående parter, der med deres underskrift har bekræftet dokumentets indhold samt alle datoer i dokumentet.

This document is signed by the following parties with their signatures confirming the documents content and all dates in the document.

Thomas Vinter

Som Direktør
PID: 9208-2002-2-269732078202
Tidspunkt for underskrift: 29-11-2018 kl.: 18:37:46
Underskrevet med NemID

NEM ID

Ole Christensen

Som Revisor
RID: 80351951
Tidspunkt for underskrift: 30-11-2018 kl.: 08:34:31
Underskrevet med NemID

NEM ID

Henrik Hansen

Som Revisor
RID: 80810872
Tidspunkt for underskrift: 29-11-2018 kl.: 20:17:52
Underskrevet med NemID

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