Anritsu A/S
Torveporten 2
2500 Valby, Denmark
Tel: +45 72112200
Registered No. DK 28 31 01 61

Anritsu A/S

Registration No. 28 31 01 61

Annual Report 2016/17

Management review and financial statements
for the period 1 April 2016 – 31 March 2017

(13th fiscal year)

Annual Report was presented and approved at the Annual General Meeting

Date: June 4th. 2017

Chairman of the meeting

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CONTENT

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of 2016/17 for the financial year 1 April 2016 – 31 March 2017.

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

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2017 and of the results of the Company's operations and cash flows for the financial year 1 April 2016 – 31 March 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and its financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 4th July 2017

Executive Board

Gerald Ostheimer

Board of Directors

Akifumi Kubota

Hirokazu Hamada Chairman	Akifumi Kubota	Gerald Ostheimer

Independent auditor's report

To the shareholders of Anritsu A/S

Opinion

We have audited the financial statements of Anritsu A/S for the financial year 1 April 2016 – 31 March 2017 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are 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 assets, liabilities and financial position at 31 March 2017 and of the results of the Company's operations and cash flows for the financial year 1 April 2016 – 31 March 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company 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 the Management's review

Management is responsible for the Management's review.
Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 4 July 2017

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Jon Beck
State Authorised
Public Accountant

Company details

Anritsu A/S
Torveporten 2
2500 Valby
Denmark

Phone :	+45 72 11 22 00
Fax:	+45 72 11 22 10
Web site:	www.anritsu.com

Registration No.:	28 31 01 61
Established:	1st of July 2004
Registered office:	Copenhagen

Board of Directors

Hirokazu Hamada (Chairman), EVP and Director Anritsu Corporation, President M Group
Akifumi Kubota (Director), SVP, Director of Anritsu Corporation and Group CFO
Gerald Ostheimer (Director), SVP and Executive Officer Anritsu Corporation.

Executive Board

Gerald Ostheimer

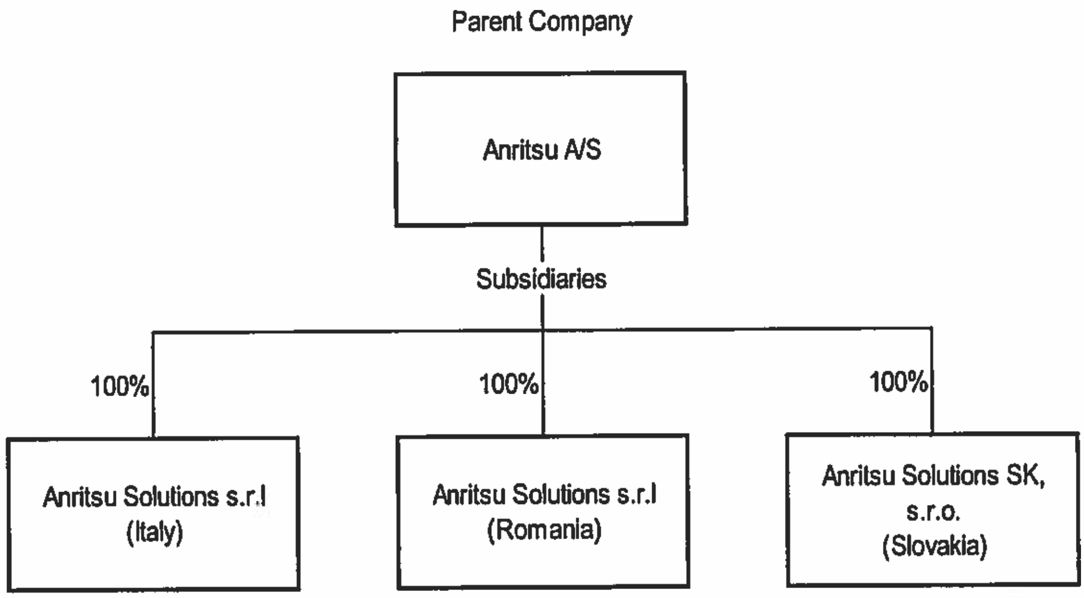
Ownership

Anritsu Corporation holds 100% of the Company's share capital.
Anritsu A/S is included in the consolidated accounts of Anritsu Corporation for which company details can be found at www.anritsu.com

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø

Group Chart


Parent Company
Anritsu A/S
Subsidiaries
100%
100%
100%
Anritsu Solutions s.r.l (Italy)
Anritsu Solutions s.r.l (Romania)
Anritsu Solutions SK, s.r.o. (Slovakia)

Financial highlights

EUR 1.000	2016/17	2015/16	2014/15	2013/14	2012/13
Key figures					
Revenue	37.656	30.369	28.214	27.988	36.332
Gross profit	13.959	12.952	11.462	8.341	14.093
Result from primary operations	466	-59	1.098	-3.484	3.604
Result of financial items	734	766	2.295	-1.176	-157
Result for the year	723	631	3.029	-4.467	5.113
Balance sheet					
Fixed assets	10.614	10.497	9.399	7.970	8.438
Current assets	35.779	32.841	32.515	29.774	30.762
Total assets, year end	46.393	43.338	41.914	37.744	39.200
Investments in tangible assets	0	74	0	35	0
Share Capital	29.088	29.088	29.088	29.088	29.088
Equity, year end	30.781	30.009	29.339	26.315	30.782
Number of employees, average	**14**	**27**	**41**	**51**	**59**
Key ratios					
Operating margin	1,2%	-0,2%	3,9%	-12,4%	9,9%
Return on invested capital	1,7%	-0,2%	12,9%	-30,0%	28,7%
Gross margin	37,1%	42,6%	40,6%	29,8%	38,8%
Solvency ratio	66,3%	69,2%	70,0%	69,7%	78,5%
Return on equity	2,4%	2,1%	10,8%	-15,6%	18,1%

Financial ratios are calculated in accordance with the "Danish Society of Financial Analysts guidelines on the calculation of financial ratios, recommandations and Financial Ratios 2015". Refering to the definitions and concepts of accounting policies.

Management review

Market survey

Anritsu A/S has traditionally operated in two business areas – Service Assurance and Instruments. The relative importance of the Instruments activity has significantly declined in recent years. It has to be noted that the company had decided in April 2016 to reorganize the instrument division by transferring the activity to its parent company in Japan. Any cost related to that reorgansiation has been recharged to the parent company.

Service Assurance provides integrated systems for monitoring telecommunications networks.

The products and services are used to ensure high performance and quality of networks within GSM, GPRS, UMTS, LTE, VoLTE and VoIP networks. The solutions provided are now critical to customers, enabling them to manage their Customer's Experience and the End to End service quality of their networks. This ensures that operators reduce Churn, improve efficiency and optimize their network investments.

Customers are offered a range of services including 24hrs support, training, system administration, on-site engineering and other consultancy services.

Development through the year

Result for the year

Revenue has increased by 24% from 30.4 million to 37.7 million euro.

In 2016/17 the Service Assurance market has continued to be highly competitive. Compared to last year the company experienced an increase in incoming orders of 65%.

Because of the difficult market conditions and a very competitive market, the company had a decline in Gross Margin from 42.6% to 37.0%.

Distribution costs increase to 9.6 million from 8.2 million is the result of revenue increase and of the addition of resources to the sales team.

The decrease in administrative costs (0.7 million) is mainly explained by the non recurring accrual related to the office move in Copenhagen that was booked in FY16.

The company benefited from favorable currency fluctuations, especially between USD and EUR. Total net financial income increased by EUR 0.5 million to EUR 1.2 million.

As a result of the above, the company realised a profit of EUR 0.7 million compared to a profit of EUR 0.6 last year.

Share capital, equity and liquidity position

During the year the company has generated a positive cash flow, with cash generated from operations before financial items and tax amounting to EUR 3.9 million. The decrease compared to last year is mainly due to an increase in trade receivable and work in progress. This is in line with the increased revenue and order intake.

The cash flow from operations after financial items and tax amounted to EUR 4.0 million. The company's investments in development projects amounted to EUR 2.3 million.

The resulting net cash flow amounted to EUR 1.7 million.

Cash and cash equivalents were EUR 11.8 million at the end of the year.

At the end of the fiscal year the equity of the company was EUR 31.1 million, and the equity ratio of the company was 66.6%.

In addition to the amount of cash available at the end of March 2017, the company`s banks have confirmed that they will maintain the available credit facilities. Thus, at 31 March 2017 the company has EUR 28.8 million in uncommitted credit facilities. Based on the company's budget for the year 2017/18, the company does not expect to use the credit facility.

It is the opinion of the Board that the company's cash funds and credit facilities are fully adequate for the company to meet its liabilities as they fall due.

Strategic activities

The company reorganised the sales organisation in 15/16 moving from a technical based selling to account director value based selling organisation to support the changing market and importance of C-level decision making within the customer base is an on ongoing process. This change has been a major contributor to the significant growth in 16/17 Orders over 15/16. The company expects this order growth trend to continue in 17/18.

The alignment of the product marketing with market demand has resulted in the development and the launch of new products within the masterclaw suite and a new product suite for eoAnalytics, enabling the company to better address our customer's needs and expectations.

The company has recognised that the market expects faster software engineering of new solutions, this has been addressed by an investment in a new fast track engineering organisation.

The Asia region as a whole is a strategic growth area. Investments in sales has already been made and growth in Japan and India has already be seen in 16/17, and further business development is expected.

The Romanian subsidiary has continued to improve the quality of the software releases and enabling faster upgrade times for customers and reduced operational costs. We are continuing to invest in new staff to support software engineering projects, which will contribute to increased cost efficiency of engineering projects.

Software Engineering

The company's software engineering activities take place in the parent company as well subsidiaries. In addition, the company has strategic cooperation with a number of outsourcing companies that perform certain development activities

The software engineering activities of the company are closely adapted to actual market conditions and with constant supervision of individual software engineering project's profitability.

Special risks – operating risks and financial risks

Operating risks
The main operating risk of the company relates to its ability to maintain a strong position in the Global market in order to ensure that the MasterClaw solutions will continue to be deployed at its customers.

This relies on agile and fast software engineering and delivery of MasterClaw solutions to meet the evolving global market requirements of customers in a timely manner, mitigated by the organizational change in 16/17.

The company also provides bank guarantees to a number of customers mainly in the Middle East. These performance bonds are released on completion of the contracts or at pre-agreed stages.

The company has a number of customers who are operating in regions which are experiencing significant conflict or political and social unrest which could affect the company's ability to deliver and maintain solutions.

Market risks
The most important market risks are related to the keen competition in the service assurance market and the constant demand for new development from the customers of the company. This can impose very heavy demands on constant new development of systems to meet time to market. The stability of the global financial sector can have an impact on the CAPEX available to our customers.

Currency risk
Global activities expose results, cash flows and equity to fluctuation in exchange and interest rates affecting a number of major trading currencies. The company is particularly exposed to fluctuations in the USD/Euro exchange rate.

Liquidity risks
At times the company launches very large projects, and therefore the company must to some degree continually have credit facilities available. Therefore it is company policy continually to have irrevocable credit facilities to an extent matching the planned activities. It is also a company policy not to be dependent on a single lender, but to take loans from several lenders.

Interest rate risks
Since the company has excess liquidity there is no significant interest rate risk.

Credit risks
The company's credit risks relate primarily to the receivables from the Global customers within the service assurance business. When undertaking business, the company policy is to ensure that the customer's credit ratings are satisfactory.

Knowledge resources.
The primary business base of the company includes development of integrated systems for surveillance of telecommunication networks. This places special demands on the knowledge resources needed to develop the systems.

For a constant supply of these systems it is essential that the company is able to recruit and keep staff with a high education level and a detailed knowledge of the telecommunications global technology market, especially expertise in surveillance systems of telecommunication networks.

Expectations for the New Year
The company expects a higher result from primary operations better than the result for the current year.

The vision is to continue to build a solid business and management structure that will grow profitability, manage market and external environment changes and continue to deliver competitive solutions that increase shareholder value.

Events after the date of the balance sheet date
No significant event has occurred since 31st March 2017 that would affect the assessment of the financial position of the company.

INCOME STATEMENT 1 APRIL - 31 MARCH

EUR 1.000	Note	2016/17	2015/16
Revenue		37.656	30.369
Production costs	2, 3	-23.697	-17.417
GROSS PROFIT		**13.959**	**12.952**
Reseach and development costs	2, 3	-1.174	-1.509
Distribution costs		-9.634	-8.200
Administrative expenses	3	-2.658	-3.421
RESULT OF ORDINARY, PRIMARY OPERATIONS		**493**	**-179**
Other operating costs		0	-25
RESULT BEFORE FINANCIAL ITEMS		**493**	**-204**
Share of result in subsidiaries	4	-27	144
RESULT FROM PRIMARY OPERATIONS		**466**	**-59**
Financial income	5	922	2.318
Financial costs	6	-188	-1.552
RESULT BEFORE TAX		**1.201**	**707**
Tax for the year	7	-478	-76
RESULT FOR THE YEAR	8	**723**	**631**
Proposed distribution of result			
Retained earnings		750	487
Revaluation reserve subssidiaries		-27	144
		723	**631**

BALANCE SHEET 31 MARCH

ASSETS

EUR 1.000	Note	31/03/2017	31/03/2016
Software		14	11
Completed development projects		5.727	3.448
Development projects in progress		2.119	4.035
INTANGIBLE ASSETS	8	**7.861**	**7.494**
Operating equipment and funiture		21	33
IT equipment		15	31
Leased equipment		13	19
TANGIBLE ASSETS	9	**50**	**84**
Investment in subsidiaries		2.650	2.628
Deposits		54	291
FINANCIAL ASSETS	4	**2.703**	**2.919**
FIXED ASSETS		**10.614**	**10.497**
Raw materials and consumables		-	96
Finished goods and goods for resale		1.209	1.006
INVENTORIES		**1.209**	**1.102**
Deferred tax assets	10	1.856	2.162
Trade receivables	11	7.810	5.288
Contract work in progress	12	9.801	6.472
Receivables from subsidiaties		413	710
Receivables from affiliated companies		1.794	3.407
Other receivables		214	2.634
Prepayments	13	906	934
RECEIVABLES		**22.794**	**21.608**
CASH AT BANK AND IN HAND		**11.776**	**10.131**
CURRENT ASSETS		**35.779**	**32.841**
ASSETS		**46.393**	**43.338**

BALANCE SHEET 31. MARCH

EQUITY & LIABILITIES

EUR 1.000	Note	31/03/2017	31/03/2016
Share capital		29.088	29.088
Revaluation reserve subs		188	166
Retained earning		1.505	755
EQUITY		**30.781**	**30.009**
Provisions	14	-	800
Amounts owed to credit institutes		6	13
Amounts owed to suppliers		319	-
LONG-TERM LIABILITIES	15	**325**	**13**
Current portion of non-current liabilities	15	220	72
Prepayment from customers	16	6.208	3.218
Amount owed to suppliers		1.026	2.039
Amount owed to subsidiaries		1.779	1.863
Amounts owed to affiliated companies		1.534	1.450
Other payables		4.521	3.875
SHORT TERM LIABILITIES		**15.287**	**12.517**
TOTAL LIABILITIES		**15.612**	**12.530**
EQUITY AND LIABILITIES		**46.393**	**43.338**

Accounting Policies	1
Contingent items	16
Other notes	17-21

STATEMENT OF CHANGE IN EQUITY

EQUITY STATEMENT

EUR 1.000	Share capital	Retained earnings	Revaluation reserve subs	Total
Equity 1 April 2016	29.088	755	166	30.009
Currency adjustment	0	0	49	49
Other adjustments	0	0	0	0
Result of the year	0	750	-27	723
Equity 31 March 2017	29.088	1505	188	30.781
Equity 1 April 2015	29.088	232	19	29.339
Currency adjustment	0	0	3	3
Other adjustments	0	37	0	37
Result of the year	0	487	144	631
Equity 31 March 2016	29.088	755	166	30.009

The share capital consists of 21.700.000 shares of a norminal value of DKK 10 per share.
No shares have special rights.

CASH FLOW STATEMENT

EUR 1.000	Note	31/03/2017	31/03/2016
Result from primary operations		466	-59
Adjustments for non-cash items	21	1.954	1.497
CASH FLOW OPERATIONS BEFORE CHANGES IN WORKING CAPITAL		**2.420**	**1.438**
Change in inventories		-107	512
Change in receivables		-2.521	-141
Change in contract work in progress		-3.329	-65
Change in other receivables and prepayments		2.449	356
Change in receivables from associated and group related companies		1.910	4.290
Change in payables to suppliers		-694	840
Change in payables to affiliated and group related companies		0	777
Change in other payables		795	-1.156
Change in prepayments from customers		2.990	212
CHANGE IN WORKING CAPITAL		**1.492**	**5.626**
CASH FLOW FROM OPERATIONS BEFORE FINANCIALS AND TAX		**3.912**	**7.064**
Financial income received		564	2.004
Financial cost paid		-302	-945
Paid taxes		-172	-147
FINANCIALS AND TAX		**91**	**913**
CASH FLOW FROM OPERATING ACTIVITIES		**4.003**	**7.977**
Acquisition of intangible assets		-2.589	-2.764
Acquisition of tangible assets		0	-74
Acquisition of financial assets		0	-20
Disposal of financial assets		237	47
CASH FLOW FROM INVESTING ACTIVITIES		**-2.351**	**-2.812**
CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES		**1.652**	**5.165**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of finance lease		-7	-26
NET CASH FLOW		**1.645**	**5.139**
Cash and cash equivalents 1 April		10.131	4.992
CASH AND CASH EQUIVALENTS 31 MARCH		**11.776**	**10.131**

1. Accounting policies

The annual report 2016/17 has been prepared in acordance with the provisions applying to class C (medium) enterprises under the Danish Financial Statements Act.

As from 1 April 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

- Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2017 or for the comparative figures.

Referring to the Danish Financial Statements Act § 112 have the Company not prepared the consolidated financial statement for the Anritsu A/S Group. Anritsu A/S is included in the consolidated accounts of Anritsu Corporation, Japan which is the Parent Company.

The annual report is prepared in EUR 1,000.

Recognition and measurement

Assets are recognized 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 reliably measured.

Liabilities are recognized in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

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

On recognition and measurement are considered gains, loss and risks known before the date of the annual report, if these confirm or de-confirm events that existed at the date of the balance sheet.

Income is recognized in the income statement as earned. Costs incurred to generate the year's earnings, including depreciation, amortization, impairment and provisions are recognized in the income statement.

Value adjustments of financial assets and liabilities measured at amortized cost are recognized in the income statement. Reversals as a result of changes in accounting estimates of amounts which were previously recognized in the income statement are also recognized in the income statement.

Foreign currency translation

Transactions denominated in foreign currencies (e.g. purchase/sale) are translated into the currency at the exchange rates at the transaction date or at a hedged exchange rate.

Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the income statement as interest income or expense and similar items.

Receivables and payables denominated in foreign currencies and forward exchange contracts are recognized at the exchange rates at the balance sheet date. Hedged receivables and payables are recognized at the hedged exchange rates. Foreign exchange gains or losses are recognized in the income statement under interest income and expense and similar items.

Derivative financial instruments

Derivative financial instruments are recognized at market value at the balance sheet date. Realized and unrealized gains and losses are recognized in the income statement.

The value of derivative financial instruments is recognized under receivables or short-term liabilities.

Foreign exchange adjustments of financial instrments designated as a hedge of future income and expenses are deferred and recognized in the income statement when such income and expenses have been realized. The value is recognized in a separate item in equity. Premiums received or paid on financial instruments are recognized in the income statement over the term of the instruments.

Gains or losses on derivative financial instruments designated as a hedge of capital expenditure are included in the cost of theinvestment.

Pension plans

Fixed periodic contributions (defined contribution plans) are recognized in the income statement.

INCOME STATEMENT

Revenue
Revenue from the sale of goods and rendering of services is recognized in the income statement provided that delivery has taken place before year-end. Revenue is measured excluding customer discounts and bonuses in relation to the sale.

Revenue from contract work in progress is recognized at the selling price of work performed during the year (the percentage of completion method). The stage of completion is determined as the percentage of rendered services relative to the total services to be provided under the contract.

Production costs
Production costs comprise costs of goods sold during the year, including costs for raw materials and consumables, direct wages and salaries, indirect production costs, such as maintenance and depreciation of production plant, and expenses relating to the operation, administration and management of factories.

R&D costs
R&D costs comprise costs, salaries, and depreciation of operating assets and equipment directly or indirectly attributable to the Company's R&D activities.

Research costs are recognized as cost in the year when they are incurred.

Costs relating to development projects that are clearly defined and identifiable, where the technical utilization degree, sufficient resources and a potential future market or development opportunities in the Company is evidenced, and where the Company intends to produce, market or use the project, are capitalized from the date on which the above-mentioned conditions are satisfied and when the present value of future earnings is expected to exceed the development costs incurred. The cost of such development projects includes direct wages, salaries, materials and other direct and indirect costs attributable to the development projects.

Other development costs are recognized as cost in the year when they are incurred.

Selling and distribution costs
Selling and distribution costs comprise costs relating to the sale and distribution of products and services, including salaries, sales commissions, advertising and marketing costs and depreciation, etc.

Management and administrative expenses
Management and administrative expenses comprise expenses incurred for administrative staff and management, office expenses and depreciation, etc.

Other operating income and costs
Other operating income and costs comprise other income and costs, including gains and losses on disposal of fixed assets (plant, machinery, operating assets and equipment) etc., salaries for employess who has been made, vacant in the termination period.

Impairment
Impairment comprises write-downs of intangible assets and property, plant and equipment due to reduced expectations of the assets' cash generating ability.

Profits/losses from investments in subsidiaries
The proportionate share of the profit/loss after tax of the individual subsidiaries and joint ventures is recognized in the income statement.

Financial items
Interest income and expense and similar items comprise interest income and expense relating to the fiscal year.

Also included are finance costs relating to finance leases, impairment of investments, realized and unrealized gains and losses on derivative financial instruments, securities recognized under current assets and items denominated in foreign currencies.

Any paid or received premium on derivative financial instruments is recognized in interest income and expense and similar items over the term of the instrument.

Tax on profit for the year
Tax on the taxable income for the year adjusted for changes in provision for deferred tax for the year is recognized in the income statement. Withholding tax on dividends from foreign subsidiaries is recognized in the year when dividend is received and included in the profit for the year.

Surcharges, premiums and refunds relating to tax payments are included in financial items and similar items at the time of payment.

Tax payable is recognized under short-term liabilities and deferred tax is recognized under provisions.

Tax assets are recognized under investments. Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

The tax base of tax loss carry forwards or deferred tax is recognized as an asset when the tax losses are likely to reduce tax payments in coming years.

Deferred tax is provided for according to the tax rules and at the tax rates applicable when the temporary differences are expected to reverse. The change in deferred tax as a result of changes in tax rates is recognized in the income statement.

BALANCE SHEET

Intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment.
Amortization of the following intangible assets is provided on a straight-line basis over the expected useful lives of the assets.

The expected useful lives are as follows:

Software... 3 - 5 years
Development projects .... 3 - 5 years

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the disposal date, and are recognized in the income statement as other operating income or other operating costs, respectively.

The opening balance has been adjusted cf. note 6.

Tangible assets

Property, machinery, equipment etc. are measured at cost less depreciation and impairment.

Cost includes the cost of acquisition and cost of materials, components, subcontractor services, direct wages and salaries, and indirect production costs. Interest and other borrowing costs are not included in the cost of acquisition.

The cost of assets leased under finance leases is stated at the lower of fair value or the present value of the future lease payments at the time of acquisition. Assets leased under finance leases are recognized in the balance sheet and depreciated as the Company's other property, plant and equipment.

The cost of refurbishment related with the lease of office premises, is measured at estimated cost to refurbish the office.

Depreciation of property, plant and equipment is provided on a straight-line basis over the expected useful lives of the assets. In calculating depreciation on buildings, an estimated scrap value is used.

The expected useful lives are as follows:

Operating assets and
equipment ....5 years
IT equipment ....3-5 years
Leased equipment...............................5 years
Leasehold improvements ....5 years

Gains or losses on the disposal or retirement of an item of property, plant and equipment are determined as the difference between the selling price less costs of dismantling and disposal of the item and restoring the site and the carrying amount at the date of disposal.

The gains or losses are recognized as other operating income or other operating costs, respectively. Gains and losses on sale of property are recognized in a separate line item.

Impairment of assets

The carrying amount of intangible assets and property, plant and equipment is subject to an impairment test in connection with the year-end reporting. If indications of impairment are present, the carrying amount is written down to the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the future net cash inflows expected to arise from the use of the asset.

Investments

Investments in subsidiaries are measured using the equity method at the proportionate share of the subsidiaries' net asset value.

Investments in joint ventures are measured using the equity method at the proportionate share of the joint ventures' net asset value.

Subsidiaries and joint ventures with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the Company's share of the negative net asset value. If the parent company has an obligation to cover the negative equity and if the negative equity exceeds the amount owed, the remaining amount is recognized in provisions.

Net revaluation of investments in subsidiaries and joint ventures is recognized in the reserve for net revaluation in equity according to the equity method.

Inventories
Raw materials and goods for resale are measured at cost in accordance with the FIFO method.

Self-produced goods are measured at cost in accordance with the FIFO method, comprising the cost of direct materials, wages and salaries and indirect production costs.

Where the net realizable value is lower than cost, inventories are written down to this lower value.

Receivables
Receivables are recognized at cost and subsequently measured at the amount expected to be received.

Contract work in progress
Contract work in progress is measured at the selling price of the part of the contract performed at the balance sheet date less progress billings and anticipated losses.

The stage of completion is determined as the percentage of rendered services relative to the total services to be provided under the contract.

Provisions for bad debt losses are deducted from the selling price and determined as the total losses on the contract regardless of the actual stage of completion.

The selling price of work performed exceeding progress billings and anticipated losses is recognized under receivables. Progress billings and anticipated losses exceeding the value of work performed are recognized under liabilities.

Net revaluation according to the equity method
Net revaluation according to the equity method comprises the parent company's share of accumulated profits in subsidiaries and joint ventures measured according to the equity method less the share of losses in subsidiaries and joint ventures. Other changes to the net asset value of subsidiaries and joint ventures, which are recognized directly in equity, are also recognized in the revaluation reserve. The reserve can be used to eliminate deficits in the parent company and for issue of bonus shares.

Amounts included in the net revaluation reserve relating to subsidiaries or joint ventures will also be released when the subsidiary or the joint venture is liquidated or disposed of.

Other provisions
Provisions are recognized when as a result of events in the fiscal year or in previous years the Company has an obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Provisions for restructuring of the company include costs that are related to announced decisions to restructure the existing business units.

Provisions relating to acquisitions include provisions for restructuring obligations relating to acquisitions that have been adopted and announced not later than at the date of the acquisition and are included in the determination of goodwill.

Financial liabilities
Amounts owed to mortgage credit institutions and banks are recognized at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement over the term of the loan.
Financial liabilities also include the capitalized residual obligation on finance leases.
Other liabilities are recognized at cost and subsequently measured at amortized cost.

Other rental and lease matters
When contracts for rent and lease of buildings and operating assets are of an operational nature, rental and lease payments are recognized in the income statement for the period to which they relate.

The remaining rental and lease obligations under such contracts are disclosed as contingent liabilities.

Cash flow statement
The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the Company's share of the profit for the year adjusted for non-cash operating items, changes in working capital and paid corporation tax.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognized in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognized up until the date of disposal.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and acquisitions and disposals of intangible assets, property, plant and equipment and investments.

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.

Key ratios

The key ratios stated in the survey of financial highlights have been calculated as follows:

Gross margin:

$$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

Operating margin:

$$\frac{\text{Profit of primary operations x 100}}{\text{Revenue}}$$

Return on invested capital:

$$\frac{\text{Profit of primary operations x 100}}{\text{Average invested capital}}$$

Invested capital:

Operating intangible and tangible fixed assets and net working capital

Return on equity:

$$\frac{\text{Profit for the year x 100}}{\text{Average equity}}$$

Solvency ratio:

$$\frac{\text{Equity end year x 100}}{\text{Total assets}}$$

2. Production costs	2016/17	2015/16
Production costs	21.488	15.658
Depreciation of capitalized development costs	2.209	1.760
Production costs	**23.697**	**17.417**

3. Development costs		
Incurred development costs	3.721	4.425
Reimbursed cost from Anritsu Corporation	26	-884
Capitalized development costs	-2.573	-2.031
Development costs	**1.174**	**1.509**

4. Financial assets	Subsidiaries	Deposits
Cost value 1 April 2016	2.462	291
Other adjustments	0	0
Additions	0	0
Disposal	0	-237
Cost Price 31 March 2017	**2.462**	**54**
Revaluations 1 April 2016	166	0
Result of the year	-27	0
Dividend	0	0
Currency adjustment	49	0
Revaluation 31 March 2017	**188**	**0**
CARRYING AMOUNT 31 MARCH 2017	**2.650**	**54**

Investment in subsidiaries are specified as follows: (EUR 1.000)

Name	Company equity	Equity	Result of the year
Anritsu Solutions s.r.l, Italy (Rome)	TEUR 115	982	109
Anritsu Solutions s.r.l, Romania (Bucharest)	TLEI 100	332	44
Anritsu Solutions s.r.l, Slovakia (Bratislava)	TEUR 17	1.336	-180
Anritsu A/S's share		**2.650**	**-27**

All subsidiaries are owned 100% by Anritsu A/S.

5. Financial income	2016/17	2015/16
Interest income	0	2
Net foreign exchange gains	922	2.316
Financial income	922	2.318

6. Financial costs

	2016/17	2015/16
Interest costs, banks and credit institutes	7	6
Other interest costs	8	5
Net exchange rate loss	173	1.541
Financial costs	188	1.552

7. Tax for the year

Paid Withholdning taxes	172	147
Deferred tax adjustment for the year	306	-71
Tax for the year	478	76

8. Intangible Fixed assets	Software	Completed development projects	Development projects in progress
Cost price 1 April 2016	472	16.024	3.448
Additions	16	0	2.573
Transferred	0	3.901	-3.901
Disposal	-427	-8.920	0
Cost price 31 March 2017	61	11.005	2.119
Depreciations and impairment 1 April 6	461	11.989	0
Other adjustments	0	0	0
Depreciation of the year	13	2.209	0
Depreciation of disposed assets	-427	-8.920	0
Depreciation and impairment 31 march 2017	47	5.278	0
Carrying amount 31 March 2017	14	5.727	2.119
To be depreciated over	3-5 years	3-5 years	-

9. Tangible assets	Operating equipment & funiture	It equipment	Leased equipment	Leasehold improvements
Cost price 1 April 2016	621	1.110	138	115
Additions	0	0	0	0
Disposal	-574	-1.065	-117	-115
Cost Price 31 March 2017	47	45	21	0
Depreciation 1 April 2016	588	1.079	118	115
Other adjustments	0	2	0	0
Depreciation for the year	12	14	6	0
Depreciation of disposed assets	-574	-1.065	-117	-115
Depreciation 31 March 2017	26	30	7	0
Carrying amount 31 March 2017	21	15	13	0
To be depreciated over	5 years	3-5 years	5 years	5 years

10. Deferred tax assets	31/03/2017	31/03/2016
Deferred tax assets 1. April	2.162	2.431
Deferred tax adjustment for the year	-306	-269
Deferred tax assets	**1.856**	**2.162**

The deferred tax assets is solely related to differences between the tax values and the book values of assets and liabilities.
The company has a tax loss carryforwards of EUR 11,0 million which is not recognized in the deferred tax assets.

11. Trade Receivables	31/03/2017	31/03/2016
Receivables from sales of goods and services	7.871	7.490
Provisions for expected losses	-60	-60
Trade receivables	**7.810**	**7.429**

12. Contract work in progress

Sales value of completed work	61.294	49.909
Progress billing	-53.455	-44.176
	7.839	**5.732**
Recognized as follows in the balance:		
Contract work in progress for third parties entered under assets	9.801	6.472
Received prepayments entered under liabilities	-1.962	-740
Current work in progress net	**7.839**	**5.732**

13. Prepayments

Prepayments are prepaid costs representing rent, insurance, subscriptions, license payments and agent fees.

14. Provisions

Refurbisment obligation 1 April	0	134
Provision for loss on projects	0	0
Provision for termination of lease	0	666
Provisions 31 March 2017	**0**	**800**

15. Debt liabilities

	31/03/2017	31/03/2016
Within a year	213	65
Between one and five years	319	0
After five years	0	0
Suppliers liabilities	**532**	**65**
Within a year	7	7
Between one and five years	6	13
After five years	0	0
Leasing liabilities	**13**	**20**

The company's financial leasing contracts are related to printers

16. Prepayments from customers

Prepayments on contract work in progress for third parties (cf. Note 11)	1.962	740
Prepayments from customers, derived from service contracts	4.246	2.478
Prepayments from customers	**6.208**	**3.218**

17. Contingent Items

Leasing obligations

Lease contract offices premises

The company has contracted the below leasing agreements:

Within a year	7	606
Between one and five years	0	0
After five years	0	0
Leasing commitments	**7**	**606**

Securities

The company has not provided any gurantee in any of the company assets.

Contingent liabilities

Security for Anritsu A/S's customer obligations in projects in progress, guarantee deposits of totally T.EUR 2.976 have been provided.
The parent company Anritsu Corporation has provided the banks with an equivalent guarantee to the banks.

18. Staff relations	2016/17	2015/16
Wages and salaries	1.897	3.195
Pensions	87	175
Other social security costs	73	109
Total	**2.056**	**3.480**

The staff cost is recognized in the income statement as below:

Production costs	854	1.210
Distribution costs	644	1.129
R&D Costs	0	610
Administration costs	558	531
Total	**2.056**	**3.480**

These amounts include remunerations to directors and board:

Directors and board	190	194
Average number of employees	14	27

19. Depreciation

Depreciation on development projects	2.209	1.760
Depreciation on intangible assets	13	10
Depreciation on tangible assets	32	102
Total	**2.254**	**1.871**

Depreciation and impairment is recognized in the income statement as below:

Production costs	3	9
Administration costs	24	93
Production costs, capitalized development projects	2.209	1.760
Research and development costs, other assets	9	4
Distribution costs	9	6
Total	**2.254**	**1.871**

20. Related parties and ownership relations

Controlling interest	Background
Anritsu Corporation, Onna 5-1-1, Atsugi-shi Kanagawa 243-8555, Japan	Principal Shareholder

Other related parties:	Background
Anritsu Solutions s.r.l, Italy	Subsidiary
Anritsu Solutions s.r.l, Romania	Subsidiary
Anritsu Solutions s.r.l, Slovakia	Subsidiary

Ownership

The below shareholder is noted in the company register of shareholders as owner of a minimum of 5% of the votes on a minimum of 5% of the share capital.

Anritsu Corporation
Onna 5-1-1
Atsughi-shi
Kanagawa 243-8555
Japan

Group relations:

The company's immediate and ultimate parent company, which prepares the Group accounts, and of which the company is a part as a subsidiary is:

Anritsu Corporation, Onna 5-1-1, Atsugi-shi, Kanagawa 243-8555, Japan.

The Group accounts for the foreign parant company is available from this adress:

Anritsu Corporation, Onna 5-1-1, Atsugi-shi, Kanagawa 243-8555, Japan.

or at this link: www.anritsu.com

Related party transactions

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.

21. Adjustments for on-cash items

	31/03/2017	31/03/2016
Depreciation	2.254	1.871
Share of result in subsidiaries	27	-144
Provisions	-800	63
Unrealised gains from exchange rate adjustment of foreign currency	408	314
Unrealised losses from exchange rate adjustment of foreign currency	65	-611
Interest to refurbisment obligations	0	4
Adjustments for non-cash items	**1.954**	**1.497**