

TRIAX A/S
Bjørnkærvej 3
8783 Hornsyld
Business Registration No
29119511

Annual report 2018

The Annual General Meeting adopted the annual report on 19.03.2019

Chairman of the General Meeting



Name: Allan Jensen Vestergaard

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Entity details

Entity

TRIAX A/S

Bjørnkærvej 3

8783 Hornsyld

Central Business Registration No (CVR): 29119511

Registered in: Hedensted

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Allan Jensen Vestergaard

Henrik Hvidtfeldt

Niels-Christian Worning

Jan Johan Kühl

Lars Rønn

Thomas Lindsman

Niels Christian Nielsen

Jørgen Schrøder Jensen

Executive Board

Peter Lyhne Uhrenholt

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of TRIAX A/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aarhus, 19.03.2019

Executive Board


Peter Lyhne Uhrenholt

Board of Directors


Allan Jensen Vestergaard


Henrik Hvidtfeldt


Niels-Christian Worning


Jan Johan Kühl


Lars Rønn


Thomas Lindsman


Niels Christian Nielsen


Jørgen Schrøder Jensen

Independent auditor's report

To the shareholders of TRIAX A/S

Opinion

We have audited the financial statements of TRIAX A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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.

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:

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 the management commentary.

Aarhus, 19.03.2019

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556



Peter Aslak Storgaard

State Authorised Public Accountant

Identification No (MNE) mne33767

Management commentary

| | 2018 DKK'000 | 2017 DKK'000 | 2016 DKK'000 | 2015 DKK'000 | 2014 DKK'000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Financial highlights | | | | | |
| Key figures | | | | | |
| Revenue | 167.766 | 178.776 | 210.263 | 145.563 | 235.900 |
| Gross profit/loss | 46.006 | 41.490 | 45.799 | 24.241 | 48.100 |
| EBITDA before restructuring cost | 6.771 | (2.623) | 5.382 | 2.800 | 21.600 |
| Restructuring cost | (1.167) | 924 | 0 | 14.100 | 0 |
| Operating profit/loss | 2.290 | (9.273) | 847 | (14.614) | 14.000 |
| Net financials | (9.838) | (3.933) | 32.043 | 7.091 | (600) |
| Profit/loss for the year | (7.548) | (13.206) | 31.139 | (3.897) | 25.800 |
| Total assets | 151.580 | 173.515 | 200.137 | 181.468 | 206.000 |
| Investments in property, plant and equipment | 533 | 727 | 8.048 | 2.460 | 2.900 |
| Equity | 45.554 | 53.137 | 91.706 | 82.465 | 126.898 |
| Average numbers of employees | 132 | 140 | 136 | 131 | 140 |
| Ratios | | | | | |
| Gross margin (%) | 27,4 | 23,2 | 21,8 | 16,7 | 20,4 |
| Net margin (%) | (4,5) | (7,4) | 14,8 | (2,7) | 10,9 |
| Return on equity (%) | (15,3) | (18,2) | 35,8 | (3,7) | 19,5 |
| Equity ratio (%) | 30,1 | 30,6 | 45,8 | 45,4 | 61,6 |

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

2015: 8 month

| Ratios | Calculation formula | Calculation formula reflects |
|----------------------|--|--|
| Gross margin (%) | $\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$ | The entity's operating gearing. |
| Net margin (%) | $\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$ | The entity's operating profitability. |
| Return on equity (%) | $\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$ | The entity's return on capital invested in the entity by the owners. |
| Equity ratio (%) | $\frac{\text{Equity} \times 100}{\text{Total assets}}$ | The financial strength of the entity. |

Management commentary

Primary activities

TRIAX is an international supplier of reliable and innovative solutions for the reception and distribution of video, audio and data signals. The Company's products and solutions are used by broadcasters, cable operators, local networks and in private homes, among others – all centered around 'connectivity'.

In the following, the name 'TRIAX' is used as a general name covering all TRIAX units and therefore applies to TRIAX A/S and all underlying subsidiaries.

Development in activities and finances

In line with the defined strategy of being a strong technology provider of new unique products to selected major customer and market segments, TRIAX continued its investments in core technology platforms in 2018. As a result, a series of innovations and new products were launched during 2018 and more are planned to be launched in 2019.

Several of the markets in which TRIAX operates have been challenged during the year. There have been no technical switchovers similar to the market opportunities following the change in broadcasting signals in France during 2016, which had a significant positive revenue impact on TRIAX. At the same time, many markets are affected by changes in the operator landscape and some markets are seeing a shift towards increased use of streaming. In response to the market changes, management initiated several organizational restructurings in order to create a leaner, more focused and efficient organization by reducing the cost base, and at the same time to strengthen the organization with resources to support the implementation of the strategy. These changes entailed extraordinary one-off restructuring costs of DKK 2,1m in 2018. The savings will have effect from the beginning of 2019.

Revenue was DKK 168m in 2018 (2017: DKK 179m). Revenue was negatively affected by a delayed launch of some products as well as challenging market conditions, which also characterized 2017.

TRIAX A/S EBITDA before restructuring costs improved to DKK 6,8m (2017: DKK -2,6m), and TRIAX posted a loss for the year of DKK 7,5m (2017: a loss of DKK 13,2m). The result is considered unsatisfactory despite EBITDA before restructuring costs being better than 2017 as expected as the company continues to be loss making. It is expected to be improved significantly in 2019 with EBITDA before restructuring cost to reach DKK 20m – 25m.

Employees

The Group had 287 employees at the end of the financial year.

The development in staff is illustrated below:

| | Denmark | Rest of the world |
|--|------------|-------------------|
| Number of employees beginning of year | 135 | 165 |
| Net addition / reduction during the year | -5 | -8 |
| Number of employees at year-end | 130 | 157 |

Management commentary

Research and development activities are increased

TRIAX further expanded its research and development activities in 2018, mainly driven internally by the R&D department. This will strengthen and expand the product and solutions offering and TRIAX' ability to support customers with highly competitive products and solutions.

The cost is capitalized in the balance sheet in order to align the cost and income from the new products and technologies. This is in line with last year but a change to previous years accounting policies, where internal development was recognized and expensed in the yearly income statement.

Outlook for 2019

TRIAX expects modest revenue growth in 2019. This development is expected based on enhanced focus on key product ranges, launch of new products as well as expected growth in several markets. Profitability is expected to increase due to a shift in product mix as well as a lower cost base.

The efforts towards development of new and updated products and solutions will continue during 2019. Together with a dedicated market focus in the two Strategic Business Units, this will be key steps in the ongoing strategic transformation towards a more technology based product and service offering to meet the changing market demands.

The Board of Directors and the Executive Board like to take this opportunity to thank all members of staff in Denmark and abroad for their committed efforts throughout the year.

EBITDA before restructuring cost is expected to reach 20m – 25m DKK.

Particular risks

The Group's business is not found to be exposed to any particular risks other than those to which the business is usually subject to.

Management assesses on a regular basis whether the TRIAX Group has a sufficient capital structure, and Management assesses on a continuing basis whether the Company's capital structure is consistent with the Company's and its stakeholders' interests. The general objective is to ensure a capital structure that supports long-term and profitable growth.

At 31 December 2018, the Group's net interest-bearing bank debt totals DKK 59m, which is found to be a reasonable level taking into account the current need for financial flexibility. At 31 December 2017 it was DKK 59m.

It is Management's assessment that the present capital structure provides the necessary flexibility to meet the Company's future strategy.

Statutory report on corporate social responsibility

As a natural continuation of its standards of value, TRIAX assumes responsibility for its products and production, also when it comes to environmental issues and social conditions.

Business model

TRIAX produces and sources various products related to the reception and distribution of signals for TV, radio and data. The products are sold through subsidiaries, directly to CATV operators and as well as through various sales channels such as wholesalers. TRIAX also develops products and solutions to the

Management commentary

hospitality segment such as hotels and elderly homes. These products and solution are sold through partners.

TRIAX is represented by subsidiaries in Denmark, Sweden, Germany, France, Spain, Austria, Hungary, UK and China. TRIAX also has a branch in Dubai.

Environmental and climate change issues

TRIAX affects environment with production plants in Denmark and the UK, transportation of products and employees and indirectly also with the production sourced out by TRIAX as well as the use and disposal of products at customers and end-users.

As TRIAX is aware of the potential risk of impacting the environment from our activities, we wish to be an environmentally conscious and responsible enterprise and cooperative partner. To achieve this, TRIAX will contribute to a sustainable development by reducing the volume of waste and energy consumption and by continuously aiming to prevent pollution and improve the environmental conditions in the entire enterprise. A method to achieve this is by grouping deliveries to bulk deliveries to customers when possible.

TRIAX A/S has been ISO 14001 certified since May 2006, and this was renewed without comments in 2018.

Social and employee aspects

The employees are TRIAX' most important resource, and TRIAX is very conscious of the importance of attracting, retaining and developing the right talents and competences in order to remain competitive. TRIAX strives to have an international group of employees from various cultures and with different backgrounds. TRIAX has a policy for physical and mental health on the work place, and have clear guidelines for how to handle incidents. The policy is given to all new employees and is easily available for all staff at TRIAX's intranet.

The staff association is active and offers social activities for employees throughout the year.

The employee satisfaction and safety is also measured through the KPI's for work accidents and sick absence. In 2018 the goals and achieved results were:

| KPI | 2018 goals | 2018 status |
|-------------------------------------|-------------------------|---|
| Work accidents in productions units | Maximum 10 | 5 |
| Sick absence in Denmark | Maximum 3.5% in Denmark | 2.2% for hourly workers in Denmark 1.26% for white collar employees in Denmark |

Five work accidents are still five too many, but compared with the 13 in 2016 TRIAX has had progress in identifying and reducing the risk.

Management commentary

Social responsibility for society

TRIAX supports the UN Global Compact initiative and its ten principles of human rights, labour, environment and anti-corruption. For TRIAX the main risks related to this are connected to sourcing and selling in high risk countries regarding labour, environment and anti-corruption. To mitigate these risks, it is ensured that these principles are observed in TRIAX' production areas in Denmark and the UK as well as at the suppliers worldwide, TRIAX has implemented guiding principles of behavioural codex by ensuring all employees have read the codex through having everybody sign it. The codex is an integrated part of the day-to-day business dialog with customers, suppliers and colleagues. TRIAX has seen no violations of the codex during 2018.

For additional information, please see: www.TRIAX.com / About / Policies & Certifications

Statutory report on the underrepresented gender

At TRIAX, women are underrepresented on the Board of Directors and the Executive Board. In TRIAX, qualifications always have the highest priority. It is, however, TRIAX' aim to have an equal representation of men and women on the Board of Directors and the Executive Board soonest possible, yet respecting the pace of which there is an actual need to make changes to the Board of Directors or Executive Board.

The gender composition has not changed and the Board of Directors and the Executive Board continues to consist of men only.

TRIAX' goal is to have a minimum share of women on the board of Directors as well as the Executive Board of 40% by 2024 at the latest.

It continues to remain the objective to have an equal representation of men and women and TRIAX strives to find suitable female candidates when recruiting for other management positions. In the hiring process, it is ensured that both genders are equally considered for these positions through dialog between management, HR and the hiring manager. At the end of 2018, 30% of international general management positions within TRIAX are filled by women.

Statutory report on corporate governance

TRIAX' Board of Directors and Executive Board always strive to ensure that the Group's management structure and control system remain appropriate and function satisfactorily. Management continuously assesses whether this is the case.

The planning of the Board of Directors and the Executive Board's tasks is based on the Danish Companies Act, the Danish Financial Statements Act, the Company's Articles of Association as well as normal practice for enterprises of the same size and of the same international scope as the TRIAX Group. Moreover, in its capacity of an enterprise owned by a private equity fund, the Company acts upon the DVCA guidelines for responsible ownership and corporate governance. On this basis, a number of internal procedures are continuously being developed and maintained, which ensures an active and cost effective management of the Group.

The report on the TRIAX Group's recommendations and policies is published on the Group's website www.TRIAX.com / About / Policies

Management commentary

Recommendations for active ownership and corporate governance for private equity funds

In June 2015, the Danish Venture Capital and Private Equity Association ('DVCA') published updated guidelines for responsible ownership and corporate governance for equity funds and their controlled enterprises.

The guidelines include a description of a number of circumstances in the management commentary, including corporate governance and social responsibility.

As a company owned by a private equity fund, the TRIAX Group must either act upon these recommendations or explain why the recommendations are not acted upon in part or fully. For further information on DVCA, see www.dvca.dk and www.dvca.dk/kapitalfonde/

Audit committee

Due to the Company's size, the current dialogue as well as high meeting frequency of the chairmanship, it is not considered necessary to set up an audit committee.

Internal audit

The TRIAX Group has not found it relevant and appropriate to set up an internal audit.

Risk management

The Board of Directors continuously – and at least once a year – assesses the TRIAX Group's total risks and the individual risk factors involved in the Company's activities. The Board of Directors adopts guidelines for the key risk areas, follows the development and prepares action plans for reduction and management of the individual risk factors, including financial and business risks, insurance and environmental issues as well as observance of the competition legislation.

Realization of strategy and targets

It is TRIAX' opinion that effective risk management and an effective internal control system contribute to reducing strategic risks and business risks, to ensuring observance of current rules and regulations and to ensuring the quality of the basis for Management's decisions and the financial reporting. The Company's strategic choice results in natural risks. It is important that the risks are identified and communicated and that the risks are handled appropriately.

TRIAX also believes that effective risk management and internal controls are a condition for the top management body and the Executive Board being able to perform the tasks assigned to these bodies. It is therefore important that the top management body ensures that effective risk management and effective internal controls are present.

Financial reporting

The Board of Directors and the Executive Board have the overall responsibility for the Group's risk management and internal controls in connection with the financial reporting process.

The organizational structure and the internal guidelines constitute the control environment together with laws and other rules applicable for the Group. Management regularly evaluates the Group's organizational

Management commentary

structure and staffing and lays down and approves overall policies, procedures and controls as part of the financial reporting process.

In relation to the financial reporting, Management pays special attention to the internal controls in the enterprise's business management system supporting that the financial reporting is conducted satisfactorily.

The TRIAX Group has established a formal reporting process, which comprises monthly reporting on the individual countries and individual products and which includes budget follow-up, assessment of performance and observance of adopted targets etc.

Business risks

When updating and approving the strategy plan each year, Management also evaluates the business risks. As part of the risk assessment, Management considers, as necessary, the finance, hedging and insurance policies for the Group which have been approved by the Board of Directors.

The Group's primary business risks relate to the Company's ability to maintain a leading position as a supplier of advanced high-quality solutions at competitive prices compared to the general development in the European demand for the enterprise's products and solutions. TRIAX markets a wide portfolio of products and solutions to a large number of customers in many different markets. Thus, TRIAX has a very large risk diversification in its revenue.

TRIAX' risk management, including internal controls relating to the financial reporting process, is designed with a view to minimising the risk of errors and omissions.

The Executive Board is responsible for the risks always being identified, assessed and treated in order to reduce the financial implications and/or the probability that the risks are realised.

Board work

The Board of Directors handles the overall management of the Group, including employment of the Executive Board, establishment of guidelines for and execution of control of the Executive Board's work, ensuring a proper organisation of the Group's business, determination of the philosophy and strategy, as well as an assessment of the propriety of the Group's capital resources.

The Board of Directors of the TRIAX Group convenes according to a fixed meeting schedule approx. 5 times per year. Normally, the Board of Directors and all members of the Executive Board participate in all meetings.

The Board of Directors consists of 5 members elected by the general meeting and 3 members elected by the staff. In the period between the ordinary board meetings, the Board of Directors is continuously briefed in writing on the development in the Company's and the Group's results and financial position, and the Group's chairmanship meets with the Group's Executive Board when necessary. Extraordinary meetings will be convened when necessary.

The Board of Directors can appoint committees for special tasks, but has so far not found any reason to establish fixed committees.

Management commentary

The Board of Directors of the TRIAX Group ensures that the Executive Board observes all adopted targets, strategies and processes. Once a month, the Executive Board submits a report on the Group's financial position, development in profitability and capital resources. Furthermore, the chairmanship meets with the Executive Board approx. every second month, the participants consisting of the Chairman of the Board of Directors, a member of the Board of Directors and the CEO. Moreover, a strategy day is held annually when the Group's vision, targets and strategy are laid down.

Remuneration of the Board of Directors and the Executive Board

To attract and retain the Group's managerial competences, remuneration of the Board of Directors, Executive Board members and executive staff is determined in consideration of tasks, value creation and conditions in comparable enterprises.

Remuneration of the Board of Directors and the Executive Board has been detailed in a note to the annual report.

Dividend policy

Payment of dividend must take place in consideration of necessary consolidation of equity as basis for the Group's continued development and in consideration of the existing agreements with financing sources.

The Board of Directors recommends to the Annual General Meeting that no dividends are paid for the financial year 2018.

Ownership and capital structure

TRIAX A/S is a 100% owned subsidiary of TRIAX Holding A/S. TRIAX Holding A/S is ultimately owned by the private equity fund Polaris Private Equity IV K/S with 90,26% represented by member of the Board of Directors Niels-Christian Worning and Jan Johan Kühl. The Board of Directors, Management of TRIAX and former employees hold the remaining 9,74% of the shares. The other members of the Board of Directors are independent but appointed by the owners. The Board of Directors of TRIAX Holding A/S is the same as the Board of Directors of TRIAX A/S, which, however, also has three members elected by the employees.

Whistleblower

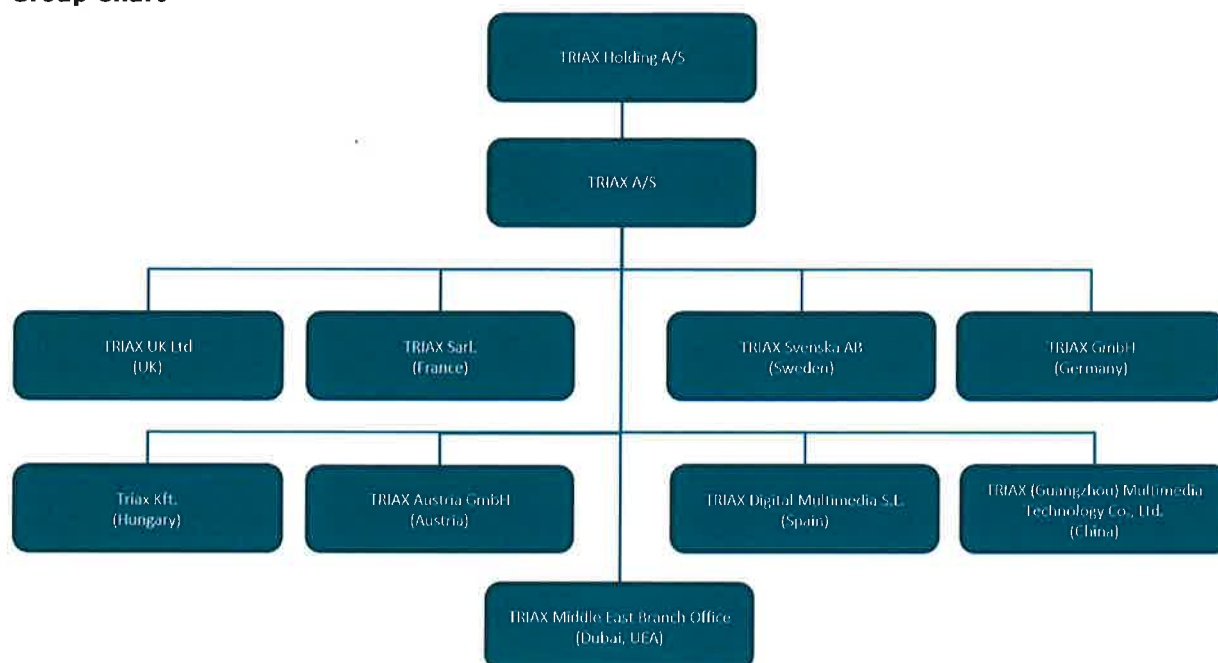
The board has discussed the need for establishing a whistleblower function but has not found this necessary for the time being.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Management commentary

Group Chart



All subsidiaries are 100% owned.

Management commentary

Board members' directorships and executive positions

Board of Directors is made up of chairman Allan Jensen Vestergaard, vice chairman Henrik Hvidtfeldt, Lars Rønn, Jan Johan Kühl, Niels-Christian Worning and director Peter Lyhne Uhrenholt

Allan Jensen Vestergaard

Member of the Board of:

Triax A/S (chairman)
Triax Holding A/S (chairman)
Graphic West Scandinavia ApS (chairman)
Configit Build A/S (chairman)
Configit A/S (chairman)
Configit Holding A/S (chairman)
KH OneStop A/S
Mikkelsen Electronics A/S
MT Americas, Inc., Virginia, USA (chairman)
Zonaar, Inc., California, USA

Member of Executive Board:

Vestergaard Group, Inc., USA

Henrik Hvidtfeldt

Member of the Board of:

Triax Holding A/S (vice chairman)
Triax A/S (vice chairman)
Flight4000 (chairman)
Cbrain A/S (chairman)
Xena Networks ApS

Member of Executive Board:

Hvista ApS

Lars Rønn

Member of the Board of:

Triax A/S
Triax Holding A/S
On Robot A/S
MapsPeople a/s
KUBO ApS

Jan Johan Kühl

Member of the Board of:

Triax A/S
Molslinjen A/S
PWT Group A/S
Det Danske Madhus A/S
Brøndum Holding A/S
Brøndum A/S
Inter Primo A/S
Menu A/S
Part Unique ApS
And several holding companies in connection with Polaris Private Equity

Member of Executive Board:

Business Synergy Group ApS
Polaris Management A/S
And several holding companies in connection with Polaris Private Equity

Niels-Christian Worning

Member of the Board of:

Triax A/S
BabySam A/S
And several holding companies in connection with Polaris Private Equity

Member of Executive Board:

Worning ApS
And several holding companies in connection with Polaris Private Equity

Peter Lyhne Uhrenholt

Member of the Board of:

Profort A/S

Member of Executive Board:

Triax A/S (CEO)
Triax Holding A/S (CEO)
PLUH af 2015 Aps
PL Management

Income statement for 2018

| | <u>Notes</u> | <u>2018</u> <u>DKK'000</u> | <u>2017</u> <u>DKK'000</u> |
|--|--------------|-------------------------------|-------------------------------|
| Revenue | 1 | 167.766 | 178.776 |
| Production costs | 2 | <u>(121.760)</u> | <u>(137.286)</u> |
| Gross profit/loss | | 46.006 | 41.490 |
| Distribution costs | | (26.135) | (31.695) |
| Administrative expenses | 2 | (18.532) | (18.144) |
| Other operating income | | 2.118 | 0 |
| Restructuring cost | | <u>(1.167)</u> | <u>(924)</u> |
| Operating profit/loss | | 2.290 | (9.273) |
| Income from investments in group enterprises | | (7.956) | (1.492) |
| Other financial income | 3 | 533 | 340 |
| Other financial expenses | 4 | <u>(2.415)</u> | <u>(2.781)</u> |
| Profit/loss before tax | | (7.548) | (13.206) |
| Tax on profit/loss for the year | | <u>0</u> | <u>0</u> |
| Profit/loss for the year | 5 | <u>(7.548)</u> | <u>(13.206)</u> |

Balance sheet at 31.12.2018

| | Notes | 2018 DKK'000 | 2017 DKK'000 |
|--|-------|-----------------|-----------------|
| Completed development projects | | 9.969 | 2.000 |
| Acquired intangible assets | | 3.036 | 2.628 |
| Development projects in progress | | 14.297 | 12.808 |
| Intangible assets | 6 | 27.302 | 17.436 |
| Plant and machinery | | 3.241 | 4.176 |
| Other fixtures and fittings, tools and equipment | | 3.331 | 5.199 |
| Leasehold improvements | | 72 | 86 |
| Property, plant and equipment in progress | | 259 | 456 |
| Property, plant and equipment | 7 | 6.903 | 9.917 |
| Investments in group enterprises | | 47.701 | 64.860 |
| Deferred tax | 9 | 5.143 | 5.143 |
| Fixed asset investments | 8 | 52.844 | 70.003 |
| Fixed assets | | 87.049 | 97.356 |
| Raw materials and consumables | | 11.775 | 10.304 |
| Work in progress | | 2.923 | 2.825 |
| Manufactured goods and goods for resale | | 18.711 | 20.597 |
| Inventories | | 33.409 | 33.726 |
| Trade receivables | | 16.087 | 18.689 |
| Receivables from group enterprises | | 5.128 | 15.762 |
| Other receivables | | 7.067 | 3.188 |
| Prepayments | 10 | 1.785 | 1.105 |
| Receivables | | 30.067 | 38.744 |
| Cash | | 1.055 | 3.689 |
| Current assets | | 64.531 | 76.159 |
| Assets | | 151.580 | 173.515 |

Balance sheet at 31.12.2018

| | Notes | 2018 DKK'000 | 2017 DKK'000 |
|--|-------|-----------------|-----------------|
| Contributed capital | | 30.000 | 30.000 |
| Reserve for development expenditure | | 18.928 | 11.550 |
| Retained earnings | | (3.374) | 11.587 |
| Equity | | 45.554 | 53.137 |
| Other provisions | 11 | 2.199 | 2.832 |
| Provisions | | 2.199 | 2.832 |
| Bank loans | | 11.500 | 11.500 |
| Non-current liabilities other than provisions | | 11.500 | 11.500 |
| Bank loans | | 43.136 | 20.485 |
| Prepayments received from customers | | 320 | 0 |
| Trade payables | | 21.222 | 28.685 |
| Payables to group enterprises | | 13.975 | 39.145 |
| Other payables | | 13.674 | 17.731 |
| Current liabilities other than provisions | | 92.327 | 106.046 |
| Liabilities other than provisions | | 103.827 | 117.546 |
| Equity and liabilities | | 151.580 | 173.515 |
| Financial instruments | 12 | | |
| Unrecognised rental and lease commitments | 13 | | |
| Assets charged and collateral | 14 | | |
| Related parties with controlling interest | 15 | | |
| Transactions with related parties | 16 | | |

Statement of changes in equity for 2018

| | Contributed capital DKK'000 | Reserve for net revaluation according to the equity method DKK'000 | Reserve for development expenditure DKK'000 | Retained earnings DKK'000 |
|-------------------------------|-----------------------------------|---|--|---------------------------------|
| Equity beginning of year | 30.000 | 0 | 11.550 | 11.587 |
| Exchange rate adjustments | 0 | (354) | 0 | 0 |
| Other entries on equity | 0 | (222) | 0 | 541 |
| Transfer to reserves | 0 | 576 | 0 | (576) |
| Profit/loss for the year | 0 | 0 | 7.378 | (14.926) |
| Equity end of year | 30.000 | 0 | 18.928 | (3.374) |
| | | | | Total DKK'000 |
| Equity beginning of year | | | | 53.137 |
| Exchange rate adjustments | | | | (354) |
| Other entries on equity | | | | 319 |
| Transfer to reserves | | | | 0 |
| Profit/loss for the year | | | | (7.548) |
| Equity end of year | | | | 45.554 |

Notes

| | 2018 | 2017 |
|---|------------------|------------------|
| | DKK'000 | DKK'000 |
| 1. Revenue | | |
| European countries | 139.687 | 152.484 |
| Middle East | 1.307 | 2.406 |
| Other countries | 26.772 | 23.886 |
| | 167.766 | 178.776 |
| 2. Staff costs | | |
| Wages and salaries | 63.357 | 65.598 |
| Pension costs | 4.696 | 4.844 |
| Other social security costs | 988 | 965 |
| | 69.041 | 71.407 |
| Number of employees at balance sheet date | 130 | 135 |
| Average number of employees | 132 | 140 |
| | | |
| | Remunera- | Remunera- |
| | tion of | tion of |
| | manage- | manage- |
| | ment | ment |
| | 2018 | 2017 |
| | DKK'000 | DKK'000 |
| Total amount for management categories | 700 | 862 |
| | 700 | 862 |
| 3. Other financial income | | |
| Financial income arising from group enterprises | 54 | 52 |
| Other interest income | 479 | 288 |
| | 533 | 340 |

Notes

| | 2018 | 2017 | |
|---|--|---|--|
| | DKK'000 | DKK'000 | |
| 4. Other financial expenses | | | |
| Financial expenses from group enterprises | 721 | 833 | |
| Other interest expenses | 1.408 | 1.022 | |
| Exchange rate adjustments | 286 | 926 | |
| | 2.415 | 2.781 | |
| | | | |
| | 2018 | 2017 | |
| | DKK'000 | DKK'000 | |
| 5. Proposed distribution of profit/loss | | | |
| Retained earnings | (7.548) | (13.206) | |
| | (7.548) | (13.206) | |
| | | | |
| | Completed develop- ment projects DKK'000 | Acquired intangible assets DKK'000 | Develop- ment projects in progress DKK'000 |
| 6. Intangible assets | | | |
| Cost beginning of year | 2.101 | 2.801 | 12.808 |
| Transfers | 8.944 | 1.336 | (10.281) |
| Additions | 0 | 0 | 11.770 |
| Cost end of year | 11.045 | 4.137 | 14.297 |
| | | | |
| Amortisation and impairment losses beginning of year | (101) | (173) | 0 |
| Transfers | 26 | (26) | 0 |
| Amortisation for the year | (1.001) | (902) | 0 |
| Amortisation and impairment losses end of year | (1.076) | (1.101) | 0 |
| | | | |
| Carrying amount end of year | 9.969 | 3.036 | 14.297 |

Development projects

Clearly defined and identified development projects are recognized in the balance sheet, and only when there is a direct expectation to market and sell the development or otherwise generate a financial benefit that exceeds the asset capitalized. Other development costs are recognized as expenses in the income statement when they are incurred.

Notes

| | Plant and machinery DKK'000 | Other fixtures and fittings, tools and equipment DKK'000 | Leasehold improve- ments DKK'000 | Property, plant and equipment in progress DKK'000 |
|---|--|---|---|--|
| 7. Property, plant and equipment | | | | |
| Cost beginning of year | 79.870 | 91.613 | 110 | 456 |
| Transfers | (1.607) | 2.337 | 0 | (730) |
| Additions | 0 | 0 | 0 | 533 |
| Disposals | (941) | (17.632) | 0 | 0 |
| Cost end of year | 77.322 | 76.318 | 110 | 259 |
| Depreciation and impairment losses beginning of year | (75.694) | (86.414) | (24) | 0 |
| Transfers | 1.642 | (1.642) | 0 | 0 |
| Depreciation for the year | (958) | (2.564) | (14) | 0 |
| Reversal regarding disposals | 929 | 17.633 | 0 | 0 |
| Depreciation and impairment losses end of year | (74.081) | (72.987) | (38) | 0 |
| Carrying amount end of year | 3.241 | 3.331 | 72 | 259 |

Notes

| | Invest- ments in group enterprises DKK'000 | Deferred tax DKK'000 |
|------------------------------------|--|-------------------------|
| 8. Fixed asset investments | | |
| Cost beginning of year | 102.973 | 5.143 |
| Cost end of year | 102.973 | 5.143 |
| Revaluations beginning of year | (38.113) | 0 |
| Exchange rate adjustments | (354) | 0 |
| Adjustments on equity | (221) | 0 |
| Share of profit/loss for the year | (7.956) | 0 |
| Dividend | (8.628) | 0 |
| Revaluations end of year | (55.272) | 0 |
| Carrying amount end of year | 47.701 | 5.143 |

| | Registered in | Corpo- rate form | Equity inte- rest % |
|---|---------------|------------------------|------------------------------|
| Investments in group enterprises comprise: | | | |
| Triax UK Ltd. | England | ltd. | 100,0 |
| Triax Svenska AB | Sweden | AB | 100,0 |
| Triax Kft. | Hungary | Kft. | 100,0 |
| Triax Austria GmbH | Austria | GmbH | 100,0 |
| Triax Sarl. | France | Sarl. | 100,0 |
| Triax GmbH | Germany | GmbH | 100,0 |
| Triax Digital Multimedia S.L. | Spain | S.L. | 100,0 |
| Triax (Guangzhou) Multimedia Technologi Co., Ltd. | China | Ltd. | 100,0 |

Notes

| | 2018 | 2017 |
|--------------------------------|----------------|----------------|
| | DKK'000 | DKK'000 |
| 9. Deferred tax | | |
| Property, plant and equipment | (4.667) | (264) |
| Inventories | (377) | (422) |
| Equity | 38 | 157 |
| Provisions | 484 | 616 |
| Tax losses carried forward | 9.665 | 5.056 |
| | 5.143 | 5.143 |
| Changes during the year | | |
| Beginning of year | 5.143 | |
| End of year | 5.143 | |

The company recognises deferred tax assets, including the tax value of loss carry-forwards, where management assesses that the tax assets may be utilized in the foreseeable future or set-off against positive taxable income. The assessment is made annually and is based on budgets and business plans for future years, including planned business initiatives. Key parameters are expected revenue and EBIT development. Tax assets related to carry-forward losses are only recognized, if they are expected to be utilised within 5 years.

10. Prepayments

The prepayments includes deposit and prepaid costs.

11. Other provisions

Other provision includes costs to guarantee 0.8 million DKK and costs for rent 1.404 million DKK.

12. Financial instruments

The Group hedges currency risks on expected transactions in CNH within the first coming year with currency forward contracts.

| | | Contractual value | | Profit and loss recognized on equity | |
|----------------------------|---------------|--------------------------|----------------|---|----------------|
| | | 2018 | 2017 | 2018 | 2017 |
| | Period | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| | 0-7 | | | | |
| Currency forward contracts | month | 20.616 | 32.702 | (174) | (714) |
| | | 20.616 | 32.702 | (174) | (714) |

Currency forward contracts are used to hedge the currency risk on purchase of goods in CNH and covers 75% of the expected purchase in CNH in accordance to the Group's policy.

Notes

The fair value is recognized on equity and is expected realized and recognized in the profit and loss statement after the balance sheet date.

| | 2018 | 2017 |
|--|----------------|----------------|
| | DKK'000 | DKK'000 |
| 13. Unrecognised rental and lease commitments | | |
| Liabilities under rental or lease agreements until maturity in total | 19.640 | 26.686 |

14. Assets charged and collateral

Bank loans are secured by way of floating charge registered to the mortgagor of nominal kDKK 40.000.

The Entity has guaranteed the Groups bankloans. The maximum limit of the guarantee is kDKK 118.000.

As security for bankloans unlisted shares of six subsidiaries has been mortgaged.

The Entity participates in a Danish joint taxation arrangement with Triax Holding A/S serving as the administration company and therefore jointly and severally lieable with its jointly taxed companies for the total income tax from the financial year 2012 and from 1 July 2012 also for obligations, if any, to withhold tax in interest, royalties and dividends for the jointly taxed companies. The total net liability to SKAT appears from the financial statements of Triax Holding A/S.

15. Related parties with controlling interest

Related parties with controlling interest

Triax Holding A/S, Hornsyld Denmark

16. Transactions with related parties

Transactions with related parties are only disclosed in the annual report if they are not on arm's length terms. Transactions between Triax A/S and related parties are on arm's length terms.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Triax A/S and its Group enterprises are included in the consolidated financial statements of Triax Holding A/S.

Changes in accounting policies

Comparative numbers for revenue and distribution cost are adjusted for 2017 as the allocation of the commission were inaccurate. The consequences are the following: Revenue has been changed from mDKK 174,407 to mDKK 178,776 an increase of mDKK 4,369 and distribution cost has been changed from DKK 27,326 to mDKK 31.695 a reduction of mDKK 4,369. There has been no impact on the profit for the year, the balance, or the equity.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Accounting policies

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative costs

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Accounting policies

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Restructuring cost

Restructuring cost comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Accounting policies

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3-10 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

| | |
|--|------------|
| Plant and machinery | 5-15 years |
| Other fixtures and fittings, tools and equipment | 3-10 years |

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Accounting policies

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement

Referring to S. 86 (4) of The Danish Financial Statements Act, no cash flow statement has been prepared as the higher-level parent Triax Holding A/S prepare a consolidated cash flow statement in which the Company's cash flow is included.