



Annual report for 2019

Adopted at the annual general meeting
on 29 May 2020

Chairman



BITZER Electronics A/S
CVR no.: 21340006

2019

Table of contents

| | Page |
|--|-------------|
| Statements | |
| Statement by management on the annual report | 1 |
| Independent auditor's report | 2 |
| | |
| Management's review | |
| Company details | 5 |
| Financial highlights | 6 |
| Management's review | 7 |
| | |
| Financial statements | |
| Income statement 1 January - 31 December | 9 |
| Balance sheet 31 December | 10 |
| Statement of changes in equity | 12 |
| Cash flow statement 1 January - 31 December | 13 |
| Notes to the annual report | 14 |
| Accounting policies | 20 |

Statement by management on the annual report

Today, the Executive and Supervisory Boards have discussed and approved the annual report of Bitzer Electronics A/S for the financial year 1 January - 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2019 and of the results of the the company's operations and cash flows for the financial year 1 January - 31 December 2019.

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

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

Sønderborg, 29 May 2020

Executive board

Henning Højberg Kristensen
Managing Director

Anna Marie Damgaard
Kristensen
Managing Director

Supervisory board

Christian Jürgen Wehrle
chairman

Gianbattista Parlanti

Frank Hartmann

Rainer Meinhard Grosse-
Kracht

Independent auditor's report

To the shareholders of BITZER Electronics A/S

Opinion

We have audited the financial statements of BITZER Electronics A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2019 and of the results of the company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Management's responsibilities for the financial statements

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

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

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report

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

Statement on management's review

Management is responsible for management's review.

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

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

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

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

Vejle, 29 May 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no. 33 77 12 31

Lars Almskou Ohmeyer

State Authorised Public Accountant

MNE no. mne24817

Company details

The company

BITZER Electronics A/S
Kærvej 77
6400 Sønderborg

CVR no.: 21 34 00 06

Reporting period: 1 January - 31 December 2019
Financial year: 22nd financial year

Domicile: Sønderborg

Supervisory board

Christian Jürgen Wehrle, chairman
Gianbattista Parlanti
Frank Hartmann
Rainer Meinhard Grosse-Kracht

Executive board

Henning Højberg Kristensen
Anna Marie Damgaard Kristensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
7100 Vejle

Bankers

Sydbank A/S

Financial highlights

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

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| Key figures | | | | | |
| Gross profit/loss | 111.573 | 96.609 | 116.701 | 84.942 | 82.234 |
| Profit/loss before net financials | 33.688 | 25.422 | 49.411 | 25.976 | 22.601 |
| Net financials | 865 | 2.466 | -10.538 | 2.439 | 5.751 |
| Profit/loss for the year | 26.937 | 21.729 | 30.286 | 22.140 | 21.662 |
| Balance sheet | | | | | |
| Balance sheet total | 164.566 | 148.415 | 193.853 | 163.759 | 136.838 |
| Equity | 76.664 | 70.727 | 83.165 | 84.802 | 73.662 |
| Cash flows from: | | | | | |
| - operating activities | 13.585 | 13.541 | 60.032 | 14.295 | 60.461 |
| - investing activities | -3.371 | -6.645 | -3.283 | -2.127 | -4.589 |
| - including investment in property, plant and equipment | -3.371 | -6.577 | -3.230 | -1.798 | -2.816 |
| - financing activities | -22.615 | -36.985 | -27.901 | -10.589 | -46.017 |
| The year's changes in cash and cash equivalents | -12.402 | -30.089 | 28.848 | 1.580 | 9.854 |
| Number of employees | 117 | 113 | 102 | 98 | 100 |
| Financial ratios | | | | | |
| Return on assets | 21,5% | 14,9% | 27,6% | 17,3% | 16,1% |
| Solvency ratio | 46,6% | 47,7% | 42,9% | 51,8% | 53,8% |
| Return on equity | 36,6% | 28,2% | 36,1% | 27,9% | 25,8% |

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

Management's review

Business activities

The Company's main objective is to act as business partner for the industry in connection with innovation, development, production, marketing and sales of customer specific electronics and system solutions within cooling, heating and ventilation.

Recognition and measurement uncertainties

The recognition and measurement of items in the annual report is not associated with any uncertainty.

Unusual matters

The company's financial position at 31 December 2019 and the results of its operations and cash flows for the financial year ended 31 December 2019 are not affected by any unusual matters.

Financial review

The company's income statement for the year ended 31 December 2019 shows a profit of DKK 26.936.509, and the balance sheet at 31 December 2019 shows equity of DKK 76.663.572.

Significant events occurring after the end of the financial year

The Covid-19 situation has after the balance sheet date created uncertainty globally. The company is currently to a limited extent influenced by the Covid-19 situation and the overall financial position is currently unchanged. It is expected that delays to activities will have some influence later in the year.

The year at a glance and follow-up on expectations expressed last year

Sales have been strong throughout the year - at the same level as previous year.

Headcount and development activities was kept on the same level as previous year.

Sales, headcount and development activities are expected at the same level next year.

Knowledge resources

The company's activities particular requires know-how resources from employees and technologies. Thus it is important tat the company is able to recruit and keep employees with a high level of education.

Management's review

The environment

The company develops energy-saving products and seeks to comply with energy optimisation in all respects, including our facilities etc.

Research and development

The company develops customized products. Furthermore the company participates in technology projects in cooperation with Danish universities and institutes.

Special risks apart from generally occurring risks in industry

Currency risks

Primary activities abroad imply that the profit, cash flow and equity are influenced by the exchange rates, especially for the USD.

Statutory corporate social responsibility report

The company focus on being social responsible in relation to developing and producing energy-saving products, supporting human rights and selecting suppliers with high ethical standards.

In order to ensure continued focus and initiatives the company joined the UN Global Compact in 2012. Please refer to our CSR report.

Income statement 1 January - 31 December

| | <u>Note</u> | <u>2019</u> DKK | <u>2018</u> DKK |
|--|-------------|--------------------------|--------------------------|
| Gross profit | | 111.572.741 | 96.609.447 |
| Staff expenses | 1 | <u>-72.540.294</u> | <u>-66.138.030</u> |
| Profit/loss before amortisation/depreciation and impairment losses | | 39.032.447 | 30.471.417 |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | 2 | -5.344.214 | -5.037.656 |
| Other operating costs | | <u>0</u> | <u>-11.846</u> |
| Profit/loss before net financials | | 33.688.233 | 25.421.915 |
| Financial income | 3 | 919.273 | 2.526.028 |
| Financial costs | 4 | <u>-54.717</u> | <u>-59.759</u> |
| Profit/loss before tax | | 34.552.789 | 27.888.184 |
| Tax on profit/loss for the year | 5 | <u>-7.616.280</u> | <u>-6.158.990</u> |
| Profit/loss for the year | | <u>26.936.509</u> | <u>21.729.194</u> |

Distribution of profit

Recommended appropriation of profit/loss

| | | |
|---|--------------------------|--------------------------|
| Proposed dividend for the year | 26.150.000 | 21.000.000 |
| Transferred to other statutory reserves | -482.069 | -496.853 |
| Retained earnings | <u>1.268.578</u> | <u>1.226.047</u> |
| | <u>26.936.509</u> | <u>21.729.194</u> |

Balance sheet 31 December

| | <u>Note</u> | <u>2019</u> DKK | <u>2018</u> DKK |
|--|-------------|--------------------|--------------------|
| Assets | | | |
| Development projects | | 1.016.647 | 2.715.921 |
| Software | | 22.644 | 45.288 |
| Intangible assets | 6 | <u>1.039.291</u> | <u>2.761.209</u> |
| Other fixtures and fittings, tools and equipment | | 9.640.988 | 8.358.738 |
| Leasehold improvements | | 897.027 | 1.179.397 |
| Property, plant and equipment in progress | | 474.423 | 1.725.129 |
| Property, plant and equipment | 7 | <u>11.012.438</u> | <u>11.263.264</u> |
| Fixed assets total | | <u>12.051.729</u> | <u>14.024.473</u> |
| Raw materials and consumables | | 48.760.450 | 52.115.380 |
| Work in progress | | 492.213 | 1.934.085 |
| Finished goods and goods for resale | | 22.023.120 | 11.732.225 |
| Inventories | | <u>71.275.783</u> | <u>65.781.690</u> |
| Trade receivables | | 61.583.866 | 17.696.106 |
| Receivables from intercompany | | 12.646.920 | 31.797.826 |
| Other receivables | | 1.007.307 | 1.084.977 |
| Deferred tax asset | | 4.837.034 | 3.865.768 |
| Prepayments | | 532.111 | 1.131.577 |
| Receivables | | <u>80.607.238</u> | <u>55.576.254</u> |
| Cash at bank and in hand | | <u>631.050</u> | <u>13.032.928</u> |
| Current assets total | | <u>152.514.071</u> | <u>134.390.872</u> |
| Assets total | | <u>164.565.800</u> | <u>148.415.345</u> |

Balance sheet 31 December

| | <u>Note</u> | <u>2019</u> DKK | <u>2018</u> DKK |
|--|-------------|---------------------------|---------------------------|
| Equity and liabilities | | | |
| Share capital | | 25.000.000 | 25.000.000 |
| Reserve for development expenditure | | 466.222 | 948.291 |
| Retained earnings | | 25.047.350 | 23.778.772 |
| Proposed dividend for the year | | <u>26.150.000</u> | <u>21.000.000</u> |
| Equity total | 8 | <u>76.663.572</u> | <u>70.727.063</u> |
| Warranty provisions | | <u>29.753.542</u> | <u>27.649.410</u> |
| Provisions total | | <u>29.753.542</u> | <u>27.649.410</u> |
| Other payables | | <u>2.408.306</u> | <u>0</u> |
| Total non-current liabilities | | <u>2.408.306</u> | <u>0</u> |
| Bank liabilities | | 0 | 1.615.302 |
| Trade payables | | 40.414.844 | 36.146.546 |
| Payables to intercompany | | 993.582 | 0 |
| Corporation tax | | 295.534 | 237.192 |
| Other payables | | <u>14.036.420</u> | <u>12.039.832</u> |
| Total current liabilities | | <u>55.740.380</u> | <u>50.038.872</u> |
| Debt total | | <u>58.148.686</u> | <u>50.038.872</u> |
| Liabilities and equity total | | <u>164.565.800</u> | <u>148.415.345</u> |
| Events occurring after the end of the financial year | 9 | | |
| Contingent liabilities | 10 | | |
| Related parties and ownership structure | 11 | | |

Statement of changes in equity

| | Share capital | Reserve for development expenditure | Retained earnings | Proposed dividend for the year | Total |
|-----------------------------------|-------------------|-------------------------------------|-------------------|--------------------------------|-------------------|
| Equity at 1 January 2019 | 25.000.000 | 948.291 | 23.778.772 | 21.000.000 | 70.727.063 |
| Ordinary dividend paid | 0 | 0 | 0 | -21.000.000 | -21.000.000 |
| Net profit/loss for the year | 0 | -482.069 | 27.418.578 | 0 | 26.936.509 |
| Proposed dividend for the year | 0 | 0 | -26.150.000 | 26.150.000 | 0 |
| Equity at 31 December 2019 | 25.000.000 | 466.222 | 25.047.350 | 26.150.000 | 76.663.572 |

| | Share capital | Reserve for development expenditure | Retained earnings | Proposed dividend for the year | Total |
|---------------------------------|-------------------|-------------------------------------|-------------------|--------------------------------|-------------------|
| Equity 1. januar 2018 | 25.000.000 | 1.445.144 | 22.552.725 | 34.167.100 | 83.164.969 |
| Ordinary dividend paid | 0 | 0 | 0 | -34.167.100 | -34.167.100 |
| Net profit/loss for the year | 0 | -496.853 | 22.226.047 | 0 | 21.729.194 |
| Proposed dividend for the year | 0 | 0 | -21.000.000 | 21.000.000 | 0 |
| Equity 31. december 2018 | 25.000.000 | 948.291 | 23.778.772 | 21.000.000 | 70.727.063 |

Cash flow statement 1 January - 31 December

| | <u>Note</u> | <u>2019</u> DKK | <u>2018</u> DKK |
|--|-------------|--------------------|--------------------|
| Net profit/loss for the year | | 26.936.509 | 21.729.194 |
| Adjustments | 12 | 14.200.070 | 8.840.850 |
| Change in working capital | 13 | <u>-19.887.031</u> | <u>-13.096.941</u> |
| Cash flows from operating activities before financial income and expenses | | 21.249.548 | 17.473.103 |
| Interest income and similar income | | 919.273 | 2.526.028 |
| Interest expenses and similar charges | | <u>-54.717</u> | <u>-59.759</u> |
| Cash flows from ordinary activities | | 22.114.104 | 19.939.372 |
| Corporation tax paid | | <u>-8.529.204</u> | <u>-6.398.424</u> |
| Cash flows from operating activities | | 13.584.900 | 13.540.948 |
| Purchase of intangible assets | | 0 | -67.932 |
| Purchase of property, plant and equipment | | <u>-3.371.476</u> | <u>-6.577.223</u> |
| Cash flows from investing activities | | -3.371.476 | -6.645.155 |
| Repayment of loans from credit institutions | | -1.615.302 | -2.818.176 |
| Dividend paid | | <u>-21.000.000</u> | <u>-34.167.100</u> |
| Cash flows from financing activities | | -22.615.302 | -36.985.276 |
| Change in cash and cash equivalents | | -12.401.878 | -30.089.483 |
| Cash and cash equivalents | | <u>13.032.928</u> | <u>43.122.411</u> |
| Cash and cash equivalents | | 631.050 | 13.032.928 |
| Analysis of cash and cash equivalents: | | | |
| Cash at bank and in hand | | <u>631.050</u> | <u>13.032.928</u> |
| Cash and cash equivalents | | 631.050 | 13.032.928 |

Notes to the Annual Report

| | 2019 | 2018 |
|---|--------------------------|--------------------------|
| | DKK | DKK |
| 1 Staff expenses | | |
| Wages and salaries | 65.465.491 | 59.513.829 |
| Pensions | 6.027.453 | 5.713.363 |
| Other social security costs | 1.047.350 | 910.838 |
| | <u>72.540.294</u> | <u>66.138.030</u> |
| | | |
| Including remuneration to the Executive and Supervisory Boards | <u>3.764.366</u> | <u>3.889.046</u> |
| | | |
| Average number of employees | <u>117</u> | <u>113</u> |
| | | |
| 2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | | |
| Depreciation intangible assets | 1.721.914 | 2.222.568 |
| Depreciation tangible assets | <u>3.622.300</u> | <u>2.815.088</u> |
| | <u>5.344.214</u> | <u>5.037.656</u> |
| | | |
| which breaks down as follows: | | |
| Development projects | 1.699.270 | 2.199.924 |
| Software | 22.644 | 22.644 |
| Other fixtures and fittings, tools and equipment | 3.288.384 | 2.417.383 |
| Leasehold improvements | <u>333.916</u> | <u>397.705</u> |
| | <u>5.344.214</u> | <u>5.037.656</u> |

Notes to the Annual Report

| | <u>2019</u> | <u>2018</u> |
|---|-------------------------|-------------------------|
| | DKK | DKK |
| 3 Financial income | | |
| Interest received from intercompany | 26.965 | 411.556 |
| Other financial income | 258.786 | 316.708 |
| Exchange adjustments | 633.522 | 1.797.764 |
| | <u>919.273</u> | <u>2.526.028</u> |
| | | |
| 4 Financial costs | | |
| Other financial costs | 54.717 | 59.759 |
| | <u>54.717</u> | <u>59.759</u> |
| | | |
| 5 Tax on profit/loss for the year | | |
| Current tax for the year | 8.619.534 | 7.078.192 |
| Deferred tax for the year | -971.266 | -919.202 |
| Adjustment of tax concerning previous years | -31.988 | 0 |
| | <u>7.616.280</u> | <u>6.158.990</u> |

Notes to the Annual Report

6 Intangible assets

| | Development projects | Software | Total |
|---|--------------------------------|-----------------------------|--------------------------------|
| Cost at 1 January 2019 | 10.535.420 | 1.213.490 | 11.748.910 |
| Additions for the year | 0 | 0 | 0 |
| Disposals for the year | -1.548.427 | 0 | -1.548.427 |
| Cost at 31 December 2019 | <u>8.986.993</u> | <u>1.213.490</u> | <u>10.200.483</u> |
| Impairment losses and amortisation at 1 January 2019 | 7.819.503 | 1.168.202 | 8.987.705 |
| Amortisation for the year | 1.699.270 | 22.644 | 1.721.914 |
| Reversal of impairment and amortisation of sold assets | -1.548.427 | 0 | -1.548.427 |
| Impairment losses and amortisation at 31 December 2019 | <u>7.970.346</u> | <u>1.190.846</u> | <u>9.161.192</u> |
| Carrying amount at 31 December 2019 | <u><u>1.016.647</u></u> | <u><u>22.644</u></u> | <u><u>1.039.291</u></u> |

Notes to the Annual Report

7 Property, plant and equipment

| | Other fixtures and fittings, tools and equipment | Leasehold improvements | Property, plant and equipment in progress | Total |
|--|---|---------------------------|--|--------------------------|
| Cost at 1 January 2019 | 17.785.365 | 5.531.093 | 1.725.129 | 25.041.587 |
| Additions for the year | 2.897.053 | 0 | 474.423 | 3.371.476 |
| Disposals for the year | 0 | 0 | 0 | 0 |
| Transfers for the year | 1.673.581 | 51.548 | -1.725.129 | 0 |
| Cost at 31 December 2019 | <u>22.355.999</u> | <u>5.582.641</u> | <u>474.423</u> | <u>28.413.063</u> |
| Impairment losses and depreciation at 1 January 2019 | 9.426.627 | 4.351.698 | 0 | 13.778.325 |
| Depreciation for the year | <u>3.288.384</u> | <u>333.916</u> | <u>0</u> | <u>3.622.300</u> |
| Impairment losses and depreciation at 31 December 2019 | <u>12.715.011</u> | <u>4.685.614</u> | <u>0</u> | <u>17.400.625</u> |
| Carrying amount at 31 December 2019 | <u>9.640.988</u> | <u>897.027</u> | <u>474.423</u> | <u>11.012.438</u> |

8 Equity

The share capital consists of 25.000 shares of a nominal value of DKK 1.000. No shares carry any special rights.

The share capital has developed as follows:

| | 2019 DKK | 2018 DKK | 2017 DKK | 2016 DKK | 2015 DKK |
|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Share capital at 1 January 2019 | 25.000.000 | 25.000.000 | 25.000.000 | 25.000.000 | 1.100.000 |
| Additions for the year | 0 | 0 | 0 | 0 | 23.900.000 |
| Share capital | <u>25.000.000</u> | <u>25.000.000</u> | <u>25.000.000</u> | <u>25.000.000</u> | <u>25.000.000</u> |

Notes to the Annual Report

9 Events occurring after the end of the financial year

The Covid-19 situation has after the balance sheet date created uncertainty globally. The company is currently to a limited extent influenced by the Covid-19 situation and the overall financial position is currently unchanged. It is expected that delays to activities will have some influence later in the year.

10 Contingent liabilities

Other contingent liabilities not recognised in balance sheet

The Company has entered into tenancy agreements and leases for a period up to and including 2023. Rent at lease payments for the period total DKK 7.853 thousands.

11 Related parties and ownership structure

Controlling interest

Related party having a controlling interest is the parent BITZER SE, Sindelfingen, Germany, due to this company's ownership of the entire share capital in the company.

The annual report is incorporated in the Group Consolidated Accounts of BITZER SE, Eschenbrunnlestrasse 15, 71065 Sindelfingen, Germany.

In accordance with sector 98c (7) of the Danish Financial Statements Act, the company has not disclosed any related party transactions as they were conducted on an arm's length basis.

12 Cash flow statement - adjustments

| | <u>2019</u> DKK | <u>2018</u> DKK |
|---|--------------------------|-------------------------|
| Financial income | -919.273 | -2.526.028 |
| Financial costs | 54.717 | 59.759 |
| Other operating costs | 0 | 11.846 |
| Depreciation, amortisation and impairment losses, including losses and gains on sales | 5.344.214 | 5.037.656 |
| Tax on profit/loss for the year | 7.616.280 | 6.158.990 |
| Change in other provisions | 2.104.132 | 98.627 |
| | <u><u>14.200.070</u></u> | <u><u>8.840.850</u></u> |

Notes to the Annual Report

| | <u>2019</u> | <u>2018</u> |
|---|---------------------------|---------------------------|
| | DKK | DKK |
| 13 Cash flow statement - change in working capital | | |
| Change in inventories | -5.494.093 | 9.535.529 |
| Change in receivables | -24.059.715 | 7.884.639 |
| Change in trade payables, etc | <u>9.666.777</u> | <u>-30.517.109</u> |
| | <u>-19.887.031</u> | <u>-13.096.941</u> |

Accounting policies

The annual report of BITZER Electronics A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The annual report for 2019 is presented in DKK.

Changes in accounting policies

Inventories

Measurement of inventories has been changed from the FIFO method to weighted average method.

Furthermore finished goods now include production overhead.

The estimated effect on last year from these changes is considered immaterial and the comparatives have not been restated.

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

Basis of recognition and measurement

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

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

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

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

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

Income statement

Gross profit

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

Accounting policies

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

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and property, plant and equipment.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the company's activities, including losses on the sale of intangible assets and property, plant and equipment.

Staff expenses

Staff expenses include wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement, whereas the tax attributable to the equity transactions is recognised directly in the equity.

Accounting policies

Balance sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable losses. Patents and licenses are amortised on a straight-line basis over a period of 3 years.

Development projects that are clearly defined and indentifiable and in respect of which the technological feasibility, sufficient resources and a potential future market or development potential in the enterprise can be demonstrated, and where the intention is to produce, market or use the project or the process, are recognised as intangible assets provided, that it is sufficiently certain that the future earnings are adequate to cover the production, sales and administrative expenses and the aggregate development costs. Other development costs are expensed in the income statement as incurred.

Development costs are measured at direct costs and a portion of the costs that can be related indirectly to the individual development projects.

Development projects are amortised over a period of 3 years.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual parts of an item of property, plant and equipment have different useful lives, the cost is divided into separate parts, which are depreciated separately.

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

| | | |
|--|------|-------|
| Other fixtures and fittings, tools and equipment | 3-5 | years |
| Leasehold improvements | 3-10 | years |

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Accounting policies

Leases

All leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under 'Contingent assets, liabilities and other financial obligations'.

Inventories

Inventories are measured at cost using the weighted average method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price.

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

Production overheads include the indirect cost of materials, wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

Receivables

Receivables are measured at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Equity

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

Accounting policies

Provisions

Provisions comprise expected expenses relating to guarantee commitments, reconstructions, etc. Provisions are recognised when as a result of a past event the company has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Income tax and deferred tax

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

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

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Any changes in deferred tax resulting from changes in tax rates are recognised in the income statement. For the current year the tax rate is 22%.

Liabilities

Liabilities are measured at amortised cost, which is usually equivalent to nominal value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Fixed assets acquired in foreign currencies are measured at the exchange rate at the transaction date.

Accounting policies

Cash flow statement

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

Cash flows from operating activities

Cash flows from operating activities are stated as the profit or loss for the year, adjusted for changes in working capital and non-cash operating items such as depreciations, amortisation and impairment losses as well as provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

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

Cash flows from financing activities

Cash flows from financing activities comprise cash flow from raising and repayment of long-term debts as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

The cash flow statement cannot be immediately derived from the published financial records.

Financial highlights

Definitions of financial ratios.

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

PENNEO

The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

Frank Hartmann

Bestyrelsesmedlem

On behalf of: Bitzer Electronics A/S

Serial number: frank.hartmann@bitzer.de

IP: 160.44.xxx.xxx

2020-05-29 08:29:10Z

Rainer Meinhard Grosse-Kracht

Bestyrelsesmedlem

On behalf of: Bitzer Electronics A/S

Serial number: rainer.grosse-kracht@bitzer.de

IP: 160.44.xxx.xxx

2020-05-29 11:56:40Z

Gianbattista Parlanti

Bestyrelsesmedlem

On behalf of: Bitzer Electronics A/S

Serial number: gianni.parlanti@bitzer.de

IP: 94.218.xxx.xxx

2020-06-01 10:23:20Z

Anna Marie Damgaard Kristensen

Adm. direktør

On behalf of: Bitzer Electronics A/S

Serial number: PID:9208-2002-2-629481608580

IP: 212.10.xxx.xxx

2020-06-02 07:19:01Z

NEM ID

Christian Jürgen Wehrle

Bestyrelsesformand

On behalf of: Bitzer Electronics A/S

Serial number: christian.wehrle@bitzer.de

IP: 160.44.xxx.xxx

2020-06-03 12:34:37Z

Henning Højberg Kristensen

Adm. direktør

On behalf of: Bitzer Electronics A/S

Serial number: PID:9208-2002-2-194412095416

IP: 178.132.xxx.xxx

2020-06-08 09:44:44Z

NEM ID

Lars Almskou Ohmeyer

Statsautoriseret revisor

On behalf of: PwC

Serial number: CVR:33771231-RID:33291460

IP: 83.136.xxx.xxx

2020-06-08 10:07:54Z

NEM ID

Christian Jürgen Wehrle

Dirigent

On behalf of: Bitzer Electronics A/S

Serial number: christian.wehrle@bitzer.de

IP: 160.44.xxx.xxx

2020-06-10 11:59:29Z

Christian Wehrle

This document is digitally signed using Penneo.com. The digital signature data within the document is secured and validated by the computed hash value of the original document. The document is locked and timestamped with a certificate from a trusted third party. All cryptographic evidence is embedded within this PDF, for future validation if necessary.

How to verify the originality of this document

This document is protected by an Adobe CDS certificate. When you open the

document in Adobe Reader, you should see, that the document is certified by **Penneo e-signature service** <penneo@penneo.com>. This guarantees that the contents of the document have not been changed.

You can verify the cryptographic evidence within this document using the Penneo validator, which can be found at <https://penneo.com/validate>