

BB Electronics A/S

Ane Staunings Vej 21C, 8700 Horsens, Denmark

CVR no. 21 66 25 34

Annual report 2022

Approved at the Company's annual general meeting on 28 June 2023

Chair of the meeting:



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Xiangyu Deng

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of BB Electronics A/S for the financial year 1 January - 31 December 2022.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Horsens, 28 June 2023
Executive Board:



Carsten Juul Christensen

Board of Directors:



Mona Cathrin Nylander
Chair



Kristoffer Karl Arne Asklöv
Deputy Chair



Stian Haugen



Henning Dahlen



Steen Moeskjær Jensen



Maibrit Lindgaard Padsen

Independent auditor's report

To the shareholders of BB Electronics A/S

Opinion

We have audited the financial statements of BB Electronics A/S for the financial year 1 January - 31 December 2022, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements 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 the 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 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.

Independent auditor's report

- ▶ 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 note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Trekantsområdet, 28 June 2023

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Henrik Forthoft Lind
State Authorised Public Accountant
mne34169

Morten Elbæk Jensen
State Authorised Public Accountant
mne27737

Management's review

Company details

Name	BB Electronics A/S
Address, Postal code, City	Ane Staunings Vej 21C, 8700 Horsens, Denmark
CVR no.	21 66 25 34
Established	21 December 1998
Registered office	Horsens
Financial year	1 January - 31 December
Website	www.bbelectronics.dk
Telephone	+45 76 25 10 00
Telefax	+45 76 25 10 10
Board of Directors	Mona Cathrin Nylander, Chair Kristoffer Karl Arne Asklöv, Deputy Chair Stian Haugen Henning Dahlen Steen Moeskjær Jensen Maibrit Lindgaard Paulsen
Executive Board	Carsten Juul Christensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32, 7100 Vejle

Management's review

Financial highlights

DKK'000	2022	2021	2020	2019	2018
Key figures					
Revenue	1,175,712	734,558	477,054	522,428	448,566
Gross profit	114,500	61,286	45,207	59,997	52,446
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	79,345	36,787	24,898	33,890	27,329
Profit before interest and tax (EBIT)	73,903	31,301	19,549	29,590	23,766
Operating profit/loss	70,136	27,580	15,747	25,920	20,688
Net financials	-1,831	-2,773	-149	-1,973	-982
Profit before tax	72,071	28,527	19,400	27,617	22,784
Profit for the year	55,857	21,950	14,635	20,481	20,666
Balance sheet					
Fixed assets	157,072	111,810	109,009	106,632	46,763
Non-fixed assets	381,420	299,358	211,538	222,894	151,165
Total assets	538,492	411,168	320,547	329,526	197,928
Investments in property, plant and equipment	11,789	6,965	2,525	1,415	2,291
Share capital	7,634	7,634	7,634	7,634	7,634
Equity	184,366	128,060	105,964	91,291	71,035
Non-current liabilities other than provisions	5,693	45,699	59,130	73,034	14,926
Current liabilities other than provisions	348,433	237,409	155,453	165,201	126,893
Financial ratios					
Gross margin	9.7%	8.3%	9.5%	11.5%	11.7%
EBITDA-margin	6.7%	5.0%	5.2%	6.5%	6.1%
Equity ratio	34.2%	31.1%	33.1%	27.7%	35.9%
Return on equity	35.8%	18.8%	14.8%	25.2%	29.1%
Employees					
Average number of full-time employees	149	129	117	118	103

The financial ratios stated under "Financial highlights" have been calculated as follows:

Ordinary operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
EBITDA-margin	$\frac{\text{Earnings before interest, taxes and amortisations (EBITDA)} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

The accounting policy regarding valuation of investments in subsidiaries has changed from equity method to cost price. The comparable figures have been restated.

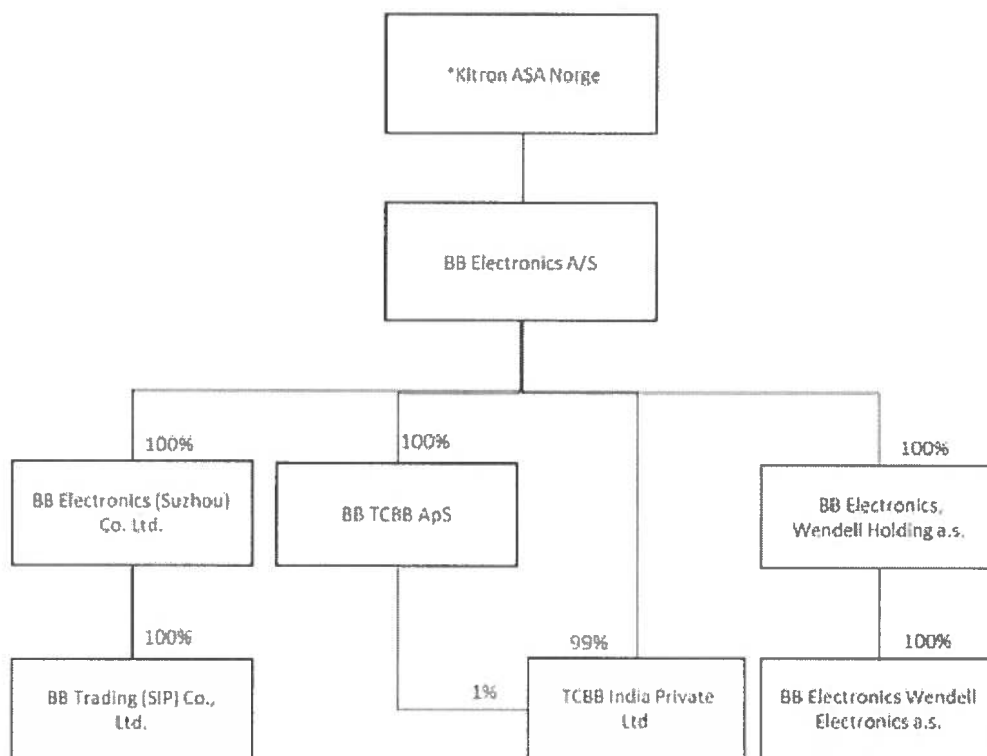
Management's review

Business review

Report

BB Electronics A/S is a provider of full range Electronics Manufacturing Services (EMS) which comprise development, production and sales of electronics and EMS solutions. The parent company, BB Electronics A/S is headquartered in Horsens, Denmark, where production also takes place. Furthermore, the Group has three subsidiaries – one in China, BB Electronics (Suzhou) Co. Ltd., one in Czech, Wendell Electronics, a.s. (incl. BB Electronics Wendell Electronics a.s), and another in India. There are production sites in Denmark, China, India and Czech.

Group Chart



* Acquired all shared in BB Electronics A/S at 10 January 2022

Management's review

Financial review

Financial development

The total sales for 2022 was DKK 1,176 million, which is an increase of 60.1% compared to 2021 (DKK 735 million). The increase can be attributed to large increase in orders from the customers and increased material prices due to component shortage, which has impacted the sales prices.

Profit after tax was DKK 56 million (2021: DKK 22 million). At the end of the financial year, the balance sheet total amounted to DKK 538 million (2021: DKK 411 million). Equity as of 31 December 2022 amounted to DKK 184 million (2021: DKK 128 million).

The sales and result for 2022 have been realized significantly above the presented outlook in the annual report for 2021.

Investments

The investments in 2022 have been normal operational investments.

Dividends

The Board proposes that DKK 18 million dividends will be paid in June 2023, no dividends paid in the financial year 2022.

Recognition and measurement uncertainties

No recognition and measurement uncertainties have been identified in the annual report.

Financial risks and use of financial instruments

BB Electronics A/S centrally manages the Group's financial risks and coordinates the Group's liquidity management, including funding and placement of surplus liquidity. BB Electronics A/S operates with a low risk profile, meaning that currency, interest rate and credit risks only occur based on commercial factors.

The majority of customers as well as inventory are guaranteed via external credit insurance, however some large groups are not insured via external credit insurance due to their risk profile.

Where deemed appropriate to reduce financial risk, financial instruments in the form of forward contracts and interest rate swaps are included.

Business risks

The primary business risk faced by BB Electronics A/S is the continued ability to deliver good service and produce quality at competitive prices.

Management regularly evaluates whether BB Electronics has an ample capital structure, and the Board regularly evaluates whether the capital basis is in keeping with the company's interests and those of its stakeholders. The overall goal is to ensure a capital structure that will support long-term financial growth.

Knowledge resources

In 2022, the company maintained its focus on the competitive situation. The staff of the full-time employees is 146. To continually be able to deliver and develop competitive products and solutions, it is paramount that the Group is able to retain and develop employees so that they have the best possible skill set for performing in their job. Consequently, our HR department works with a strategic perspective focusing on goal-oriented work with attraction, development, and job satisfaction amongst the staff.

Management's review

Statutory CSR report

Responsibility

The Group's CSR efforts are described in a separate Corporate Social Responsibility report for 2022 prepared by BB Electronics A/S. The report complies with the Danish Financial Statements Act section §99a.

The CSR report is available at:

http://www.bbelectronics.dk/images/Downloads/Sustainability_report_2022.pdf,

Whistle blowers

Employees at BB Electronics can contact an external company anonymously if there should be events that they wish to report. There were no such contacts made under this arrangement in 2022.

Account of the gender composition of Management

BB Electronics has goals for recruitment of women for management positions. BB Electronics wants to make the goal of more women in management quantifiable – both in terms of the process leading to the goal and in relation to the concrete results.

Targets have been set for the ratio of female senior managers to comply with the Danish Financial Statements Act section §99b:

- ▶ The current proportion of females at the senior management level (the Board) is currently 33% i.e. an equal distribution in the board of directors according to the Danish Business Authority, and the target is at least 25% from now.
- ▶ The proportion of female senior managers in daily management (Executive Board) is currently 50%, and the target here is also not less than 25%.
- ▶ The proportion of female managers among all levels in daily management is currently 29%, and the target here is not less than 25%.

The action to equal opportunity is to obtain at least one of each gender to be amongst the final three candidates in the recruitment process.

Outlook

The growth in 2023 on turnover is expected to 20-22 %, based on received orders and forecast from customers. The result is expected in the level of DKK 50-60 million.

Data ethics

The Company's policy on data ethics is integrated into the IT policy and GDPR set-up. The focus and handling of data ethics is handled through the following:

- ▶ The IT Policy, which contains requirements for employees regarding the handling of IT systems and data in the Company.
- ▶ The Group's GDPR set-up, which supports the legislation's requirements for GDPR, including data collection and processing, data subjects' rights, and that there are requirements for subcontractors' use of data processing agreements.
- ▶ The Group continuously educates employees in data ethics by continuously updating and informing employees about the above.

The Board of Directors is responsible for continuously, and at least once a year, assessing whether the policy on data ethics needs to be updated. The Executive Board is responsible for ensuring that the policy is implemented in the day-to-day operations of the Company.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2022	2021
3	Revenue	1,175,712	734,558
18	Production costs	-1,061,212	-673,272
	Gross profit	114,500	61,286
18	Distribution costs	-13,317	-9,207
18.5	Administrative expenses	-31,048	-24,500
	Operating profit	70,135	27,579
4	Other operating income	3,767	3,721
	Profit before net financials	73,902	31,300
6	Financial income	3,776	865
7	Financial expenses	-5,607	-3,638
	Profit before tax	72,071	28,527
8	Tax for the year	-16,214	-6,577
	Profit for the year	55,857	21,950

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2022	2021
	ASSETS		
	Fixed assets		
9	Intangible assets		
	Software	1,426	3,348
	Other intangible assets	0	0
		<u>1,426</u>	<u>3,348</u>
10	Property, plant and equipment		
	Plant and machinery	16,218	8,975
	Other fixtures and fittings	166	195
	Leasehold improvements	897	1,136
	Property, plant and equipment under construction	25	0
		<u>17,306</u>	<u>10,306</u>
11	Investments		
	Investments in group enterprises	96,457	96,184
	Receivables from group enterprises	39,850	0
	Other receivables	2,033	1,972
		<u>138,340</u>	<u>98,156</u>
	Total fixed assets	<u>157,072</u>	<u>111,810</u>
	Non-fixed assets		
12	Inventories		
	Raw materials and consumables	126,532	82,498
	Work in progress	21,102	10,311
	Finished goods and goods for resale	9,293	6,468
		<u>156,927</u>	<u>99,277</u>
	Receivables		
	Trade receivables	156,225	126,833
	Receivables from group enterprises	7,054	43,710
	Receivables from group enterprises in 2021	0	22,125
15	Deferred tax assets	2,676	3,858
	Other receivables	2,331	1,640
13	Prepayments	2,085	1,915
		<u>170,371</u>	<u>200,081</u>
	Cash	54,122	0
	Total non-fixed assets	<u>381,420</u>	<u>299,358</u>
	TOTAL ASSETS	<u>538,492</u>	<u>411,168</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2022	2021
	EQUITY AND LIABILITIES		
	Equity		
14	Share capital	7,634	7,634
	Net revaluation reserve according to the equity method	0	0
	Reserve re. exchange adjustment and hedging instruments	595	146
	Retained earnings	158,137	120,280
	Dividend proposed	18,000	0
	Total equity	184,366	128,060
	Liabilities other than provisions		
16	Non-current liabilities other than provisions		
	Mortgage debt	0	40,152
	Other payables	5,693	5,547
		5,693	45,699
	Current liabilities other than provisions		
16	Short-term part of long-term liabilities other than provisions	0	13,006
	Bank debt	0	3,711
	Prepayments received from customers	75,022	61,399
	Trade payables and other accounts payable	85,553	85,639
	Payables to group enterprises	147,551	51,418
	Corporation tax payable	14,837	0
	Other payables	25,470	22,236
		348,433	237,409
	Total liabilities other than provisions	354,126	283,108
	TOTAL EQUITY AND LIABILITIES	538,492	411,168

- 1 Accounting policies
- 2 Events after the balance sheet date
- 19 Contractual obligations and contingencies, etc.
- 20 Related parties
- 21 Appropriation of profit

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Net revaluation reserve according to the equity method	Reserve re. exchange adjustment and hedging instruments	Retained earnings	Dividend proposed	Total
	Equity at 1 January 2021	7,634	47,476	0	114,742	0	169,852
	Adjustment regarding changes in accounting policies - investment in subsidiaries at cost price instead of equity value	0	-47,476	0	-16,412	0	-63,888
21	Transfer, see "Appropriation of profit"	0	0	0	21,950	0	21,950
	Value adjustments of hedging instruments after tax	0	0	146	0	0	146
	Equity at 1 January 2022	7,634	0	146	120,280	0	128,060
21	Transfer, see "Appropriation of profit"	0	0	0	37,857	18,000	55,857
	Value adjustments of hedging instruments after tax	0	0	449	0	0	449
	Equity at 31 December 2022	7,634	0	595	158,137	18,000	184,366

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of BB Electronics A/S for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The Group financial statements are prepared by the parent company Kitron AS.

Changes in accounting policies

Investments in group entities consisting of unlisted shares are recognised at cost price, to meet the accounting policies in the rest of the new Kitron Group. Earlier the investments was measured according to the equity method.

The change in accounting policies has resulted in a negative change in the profit of the year of 2021 by 25.039 t.DKK. The equity is reduced by 102.683 t.DKK at 31 December 2021 and the total balance sheet is lowered by 102.683 t.DKK at 31 December 2021. The change also resulted in a change in the deferred tax due to the internal profit. This change has a positive influence on the profit of the year of 2021 by 57 t.DKK and a negative effect on the balance sheet total by 210 t. DKK.

So far there has been a reserve in the equity due to the investments being measured according to the equity method. Due to the change the reserve for net revaluation according to the equity method is now dissolved.

The accounting policies used in the preparation of the financial statements are otherwise consistent with those of last year. Comparative figures have been restated to reflect the policy changes.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

Foreign currency transactions throughout the year have been converted to the rate in force on the transaction date. Gains and losses arising between rates on transaction and payment days are recognised in the income statement under financial items.

Receivables, liabilities and other monetary items in foreign currencies are converted to the rate on the reporting date.

The exchange rate difference between the reporting date and transaction date is included in the income statement under financial items.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Changes in fair value of derived financial instruments classified as and which satisfy the conditions for securing the fair value of an included asset or an included liability are recognised in the income statement together with any changes in the fair value of the secured asset or the secured liability. Changes in fair value of derivative financial instruments classified as and which satisfy the conditions for securing expected future transactions regarding purchases and sales in foreign currencies are included under other receivables or other liabilities and in equity. If the expected future transaction leads to recognition of assets or liabilities, amounts deferred under equity are transferred from equity and recognised in the cost of the asset or liability. Amounts deferred under equity are transferred to the income statement for the period in which the secured item affects the income statement.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Net sales from the sale of goods and manufactured products is recognised in the income statement, provided delivery and risk transferral to the buyer has taken place before the end of the year. Net sales are recognised exclusive of value added tax, other taxes and sales-related discounts.

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

Distribution costs

Distribution costs comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc. carried out in the year, including costs related to sales staff, advertising, exhibitions and amortisation/depreciation. Sales and marketing costs are recognised in the income statement when the Company obtains control of the sales or marketing product.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purposes.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Software	5 years
Plant and machinery	5-8 years
Other fixtures and fittings	3-8 years
Leasehold improvements	5 years

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities, dividends, financial expenses relating to realised and unrealised capital gains and losses relating to exchange gains and losses and amortisation of financial assets and liabilities.

Tax

The tax for the year consists of the current corporate tax and changes in deferred tax for the year due to changes in the tax rate and is recognised in the income statement as the part directly associated with the profit or loss for the year, while tax directly relating can be attributed to items recognised directly in equity.

Balance sheet

Intangible assets

Software is calculated at cost less accumulated amortisation. Software is amortised over the estimated useful life, but not more than 5 years.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Dividends received that exceed the accumulated earnings in the subsidiary during the period of ownership are treated as a reduction in the cost of acquisition. Further dividends are recognised in the profit and loss accounts.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

Inventories

Inventories are calculated at cost based on the FIFO principle. Where cost is higher than the fair value less costs to sell, the value is written down.

Cost for goods, raw materials and consumables are recognised at the purchase price plus delivery costs.

Cost for finished goods and goods-in-process include cost for raw materials, consumables, direct salaries and indirect production costs. Indirect production costs include indirect materials and salaries, maintenance of and depreciation on machines and equipment used in production, and factory administration and management costs.

The fair value less costs to sell for inventories is calculated as the sales price excluding costs of completion and costs related to achieving sales, and is established with due consideration of merchantability, obsolescence and development in expected sales price.

Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost and reduced by write-downs for bad debt risk of expected losses according to an individual assessment.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Hedging reserve

The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not yet been realised. The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or if the hedging relationship is no longer effective. The reserve does not represent a limitation under company law and may therefore be negative.

Income tax and deferred tax

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

Deferred tax is calculated using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Liabilities

Financial liabilities are recognised at the date of borrowing at the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are recognised at amortised cost corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds received and the nominal value is recognised in the income statement throughout the loan period.

Other liabilities, including payables to suppliers, group entities and other payables are calculated at amortised cost essentially net realisable value.

Fair value

The fair value measurement is based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Level 1: Value in an active market for similar assets/liabilities

Level 2: Value based on recognised valuation methods on the basis of observable market information

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

Segment information

Sales are specified in geographic markets. Information about geographic markets is based on revenue and risk as well as internal financial management.

2 Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

DKK'000	2022	2021
3 Segment information		
Breakdown of revenue by geographical segment:		
Denmark	752,102	488,879
Other countries	423,610	245,679
	<u>1,175,712</u>	<u>734,558</u>

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DKK'000	2022	2021
4 Other operating income		
Income in the form of joint costs invoiced to subsidiary	3,767	3,721
	<u>3,767</u>	<u>3,721</u>
5 Fee to the auditors appointed in general meeting		
Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for Kitron ASA.		
6 Financial income		
Interest receivable, group entities	1,665	486
Exchange rate gain	1,672	0
Other financial income	439	379
	<u>3,776</u>	<u>865</u>
7 Financial expenses		
Interest expenses, group entities	4,167	0
Exchange rate losses	0	1,165
Other financial expenses	1,440	2,473
	<u>5,607</u>	<u>3,638</u>
8 Tax for the year		
Estimated tax charge for the year	15,158	2,952
Deferred tax adjustments in the year	1,056	3,625
	<u>16,214</u>	<u>6,577</u>

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9 Intangible assets

DKK'000	Software	Other intangible assets	Total
Cost at 1 January 2022	17,953	303	18,256
Additions	148	0	148
Disposals	-4,626	-303	-4,929
Cost at 31 December 2022	13,475	0	13,475
Impairment losses and amortisation at 1 January 2022	14,605	303	14,908
Amortisation for the year	2,070	0	2,070
Amortisation and impairment losses of disposals for the year	-4,626	-303	-4,929
Impairment losses and amortisation at 31 December 2022	12,049	0	12,049
Carrying amount at 31 December 2022	1,426	0	1,426
Amortised over	3-5 years	5 years	

10 Property, plant and equipment

DKK'000	Plant and machinery	Other fixtures and fittings	Leasehold improvements	Property, plant and equipment under construction	Total
Cost at 1 January 2022	70,650	9,156	7,336	0	87,142
Additions	11,509	117	138	25	11,789
Disposals	-10,180	-1,013	-111	0	-11,304
Cost at 31 December 2022	71,979	8,260	7,363	25	87,627
Impairment losses and depreciation at 1 January 2022	61,675	8,961	6,200	0	76,836
Depreciation	2,850	146	377	0	3,373
Depreciation and impairment of disposals	-8,764	-1,013	-111	0	-9,888
Impairment losses and depreciation at 31 December 2022	55,761	8,094	6,466	0	70,321
Carrying amount at 31 December 2022	16,218	166	897	25	17,306
Depreciated over	5-8 years	3-8 years	5 years		

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11 Investments

DKK'000	Investments in group enterprises	Receivables from group enterprises	Other receivables	Total
Cost at 1 January 2022	96,184	0	1,972	98,156
Additions	273	39,850	61	40,184
Cost at 31 December 2022	96,457	39,850	2,033	138,340
Carrying amount at 31 December 2022	96,457	39,850	2,033	138,340

Subsidiaries

Name	Legal form	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
BB Electronic s (Suzhou) Co.	Ltd.	China	100.00%	124,450	25,240
BB Trading (SIP) Co.	Ltd	China	100.00%	487	2,251
Wendell Holding	a.s.	Czech Republic	100.00%	21,557	-338
Wendell Electronic s	a.s.	Czech Republic	100.00%	57,133	18,866
BB TCBB	ApS	Denmark	100.00%	40	-1
TCBB India Private	Ltd	India	99.00%	340	-830

12 Inventories

A significant proportion of inventories relate to customer-specific components procured in relation to agreements for which customers are liable.

13 Prepayments

Prepayments consist of rent, insurance premiums, subscriptions and interest.

14 Share capital

As of 31 December 2022, equity consisted of 76,340 shares of DKK 100 each.
The share capital has remained unchanged for the past 5 years.

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DKK'000	2022	2021
15 Deferred tax		
Deferred tax at 1 January	-3,858	-7,751
Adjustment of deferred tax for the year	1,056	3,682
Changes in accounting policies	0	211
Change in value adjustment FX contract - direct on Equity	126	0
Deferred tax at 31 December	-2,676	-3,858
Deferred tax relates to:		
Receivables	-2,676	-3,858
	-2,676	-3,858

16 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2022	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other payables	5,693	0	5,693	0
	5,693	0	5,693	0

Payments due within 1 year are recognised under current liabilities. The non-current liabilities mature within 5 years after the reporting date.

17 Derivative financial instruments

Fair values

The fair value of the below financial instruments deviates from the value recognised in the Company's balance sheet at 31 December 2022.

Fair values

DKK'000	Carrying amount	Fair value	Level for calculating fair value
CNH/EUR	5,155	-254	2
EUR/USD	4	6	2
CNH/USD	14,462	455	2
DKK/USD	18,060	516	2
	37,681	723	

As of 31 December 2022, the market value of forward contracts is included as other receivables and directly in equity.

At 31 December 2022 the group companies are net exposed to payments of USD 7,715 thousand and payments of JPY 24,500 thousand.

As of 31 December 2021, the market value of forward contracts is included as other receivables and directly in equity. At 31 December 2021 the group companies are net exposed to payments of USD 4,117 thousand and payments of JPY 11,067 thousand.

As of 31 December 2021, forward contract at market value amounts to DKK 147 thousands. The contract value of these contracts amounts to DKK 1,783 thousands.

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18 Staff costs		
Wages/salaries	80,017	64,190
Pensions	5,077	4,240
Other social security costs	1,276	1,166
	<u>86,370</u>	<u>69,596</u>

Staff costs are recognised as follows in the financial statements:

Production	60,789	48,987
Distribution	9,816	7,464
Administration	15,765	13,145
	<u>86,370</u>	<u>69,596</u>
Average number of full-time employees	<u>149</u>	<u>129</u>

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

19 Contingent liabilities and collateral

Other contingent liabilities

BB Electronics A/S' insurance coverage of receivables from sales of goods and services has been provided as security to the Company's banks.

A company charge security for DKK 80,000 thousand and shares in Wendell Holding a.s and Wendell Electronics a.s. has been provided as security for payables to credit institutions.

The Company has agreed with the bank, that it is not allowed to pledge assets without prior approval.

BB Electronics A/S forms a tax group with BB Electronics Holding ApS until 10 January 2022 (Kitron ASA took over the company) and as of 13 February 2016, the Company is jointly liable with BB Electronics Holding ApS for Danish corporate tax within the tax group. The known net liabilities of companies in the tax group to the Danish Tax and Customs Administration are 0 thousand. The parent company BB Electronics Holding ApS, CVR No. 37 40 70 97, which was demerged at 31 December 2021. The receiving companies have assumed any liabilities. Any later corrections of tax group income may result in a higher tax group liability.

Other financial obligations

The Company has entered into operating lease liabilities with payments in the non-cancellation period totalling DKK 370 thousand (2021: DKK 1,594 thousand). The leasing contracts have non-cancellation periods of up to 24 months.

The rental contracts are not subject to cancellation until 30 June 2025, after which it can be terminated with 12 months' notice. The annual rent is DKK 3,123 thousand (2021: DKK 3,004 thousand/12 months' notice).

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20 Related parties

Related party transactions

BB Electronics A/S was engaged in the below related party transactions:

DKK'000	2022	2021
Purchase of finished goods	693,334	427,248
Sales of finished goods and components	24,419	12,127
Sales of IT services	3,961	3,904
Interest income from loans	1,665	486
Interest expences from loans	4,167	0
Loan to former parent (Receivable)	0	22,125
Intercompany loans (Receivable)	7,054	43,710
Intercompany receivables (non-current)	39,850	51,418
Loan from parent	59,358	0
Intercompany payable	88,193	0

Ownership

Name	Domicile
Kitron ASA	Plan 2 Olav Brunborgs vei 4 1396 BILLINGSTAD Norge

The financial report for Kitron ASA 2022, is to be downloaded at www.Kitron.com/investors#annual-reports.

21 Appropriation of profit

Recommended appropriation of profit	18,000	0
Proposed dividend recognised under equity	37,857	21,950
Retained earnings	55,857	21,950