
BB Electronics A/S

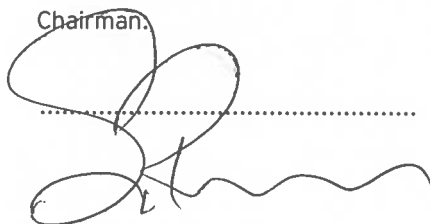
Ane Staunings Vej 21, 8700 Horsens

CVR no. 21 66 25 34

Annual report 2019

Approved at the Company's annual general meeting on 11 March 2020

Chairman.

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Contents

Statement by Management	2
Independent auditor's report	3
Management's review	6
Information about the company	6
Group chart	7
Financial highlights for the Group	8
Report	9
Consolidated financial statements and parent company financial statements	
1 January - 31 December	12
Income statement	12
Balance sheet	13
Statement of changes in equity	15
Cash flow statement	16
Notes	17

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of BB 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 consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 and of the results of their operations and consolidated cash flows for the financial year 1 January - 31 December 2019.

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

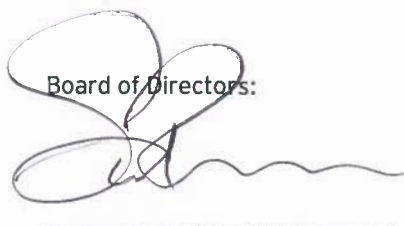
We recommend that the annual report be approved at the annual general meeting.

Horsens, 11 March 2020
Executive Board:



Carsten Christensen

Board of Directors:



Sven Ruder
Chairman



Ole Steen Andersen
Vice-chairman



Casper Lykke Pedersen



Per Thrane



Folmer Rud Hansen



Malene Braskhøj Buhl Pihl
Employee representative



Svend Lindbjerg
Employee representative



Gert Højgaard Pedersen
Employee representative

Independent auditor's report

To the shareholders of BB Electronics A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of BB Electronics A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 and of the results of the Group's and the Parent Company's operations as well as consolidated 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 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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 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.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

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 Statements Act. We did not identify any material misstatement of the Management's review.

Aarhus, 11 March 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Jes Lauritzen
State Authorised
Public Accountant
mne10121



Kim R. Mortensen
State Authorised
Public Accountant
mne18513

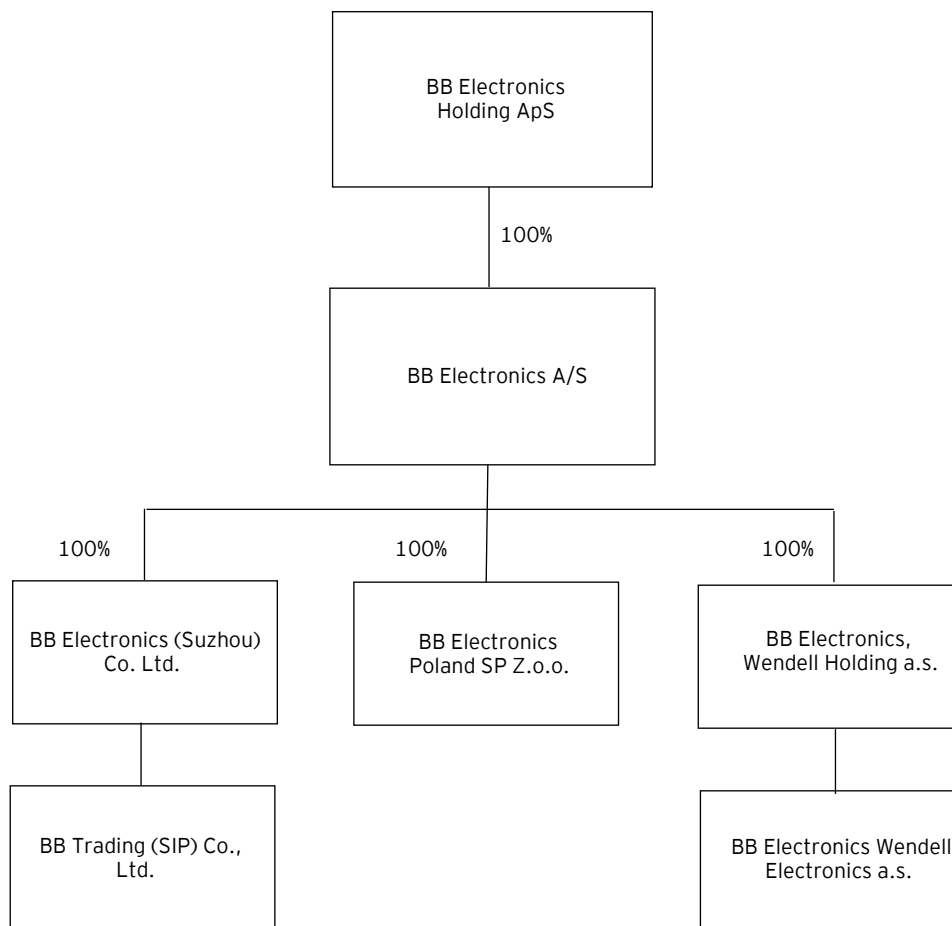
Management's review

Information about the company

Name	BB Electronics A/S
Address, postcode, city	Ane Staunings Vej 21, 8700 Horsens, Denmark
CVR No.	21 66 25 34
Established	21 December 1998
Municipality of residence	Horsens
Financial year	1 January - 31 December
Telephone	+45 76 25 10 00
Fax	+45 76 25 10 10
Largest and smallest group including parent company of which the company is a part	BB Electronics Holding ApS Ane Staunings Vej 21 8700 Horsens, Denmark CVR No. 37 40 70 97
Subsidiaries	China: BB Electronics (Suzhou) Co. Ltd. BB Trading (SIP) Co., Ltd. Poland: BB Electronics Poland SP Z.o.o. Czech Republic: BB Electronics, Wendell Holding a.s. BB Electronics, Wendell Electronics a.s.
Board of Directors	Sven Ruder, Chairman Ole Steen Andersen, Vice Chairman Casper Lykke Pedersen Per Thrane Folmer Rud Hansen Malene Braskhøj Bust Pihl Svend Lindbjerg Gert Højgaard Pedersen
Executive Board	CEO Carsten Christensen
Auditor	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, 8000 Aarhus C, CVR No. 30700228

Management's review

Group chart



Management's review

Financial highlights for the Group

DKKm	2019*	2018	2017	2016	2015
Key figures					
Revenue	717,191	560,416	460,396	400,338	422,688
EBITDA before special items	60,888	42,519	25,168	25,702	26,224
Special items	-8,042	-3,866	-1,012	0	-2,413
EBITDA	52,846	38,653	24,156	25,702	23,811
Operating profit / loss	40,811	34,509	17,089	18,431	15,480
EBIT	40,944	33,556	17,117	18,701	15,690
Net financials	-1,368	-3,048	-114	-2,149	-5,451
Profit for the year	30,186	26,169	20,290	14,957	7,337
Fixed assets	93,518	17,199	16,116	16,417	16,282
Current assets	388,495	286,725	235,773	213,134	202,314
Total assets (balance sheet total)	482,013	303,924	251,889	229,551	218,596
Share capital	7,634	7,634	7,634	7,634	7,634
Equity	158,007	126,767	100,856	86,596	43,046
Provisions	6,572	318	202	134	561
Non-current liabilities	92,255	14,920	22,374	27,735	12,580
Current liabilities	225,179	161,919	128,457	115,086	162,409
Net interest-bearing debt	37,473	-8,698	4,092	483	30,695
Cash flows from operating activities	69,238	28,291	9,463	49,483	22,464
Cash flows from investment activities	-76,806	-6,158	-7,074	-7,580	-3,961
Of which are invested in property, plant and equipment	-12,350	-5,245	-4,078	-7,024	-3,910
Cash flows from financing activities	48,746	-14,096	-11,129	-2,703	-19,423
Net cash flows	41,178	8,036	-8,740	39,200	-920
Financial ratios					
EBITDA margin before special items (%)	8.5	7.6	5.5	6.4	6.2
EBIT margin (%)	5.7	6.0	3.7	4.7	3.7
Return on equity (%)	21.2	23.0	21.6	23.1	19.8
Equity ratio (%)	32.8	41.7	40.0	37.7	19.7
Average number of full-time employees	676	485	484	452	488

* 2019 includes the newly acquired Wendell Holding a.s., including subsidiary, from 14 February 2019. Please see page 9 for further details.

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

EBITDA margin: $\text{EBITDA before special items} \times 100 / \text{Revenue}$

EBIT margin: $\text{EBIT} \times 100 / \text{Revenue}$

Return on equity: $\text{Profit/loss for the year} \times 100 / \text{Average equity}$

Equity ratio: $\text{Equity at year end} \times 100 / \text{Total equity and liabilities at year-end}$

Management's review

Report

The Group's activities comprise development, production and sales of electronics and EMS services. Production takes place in BB Electronics A/S in Denmark and in the subsidiaries in China, BB Electronics (Suzhou) Co. Ltd., and in the Czech Republic, Wendell Group.

As part of the growth strategy, the Company acquired Wendell Holding a.s., including the operating company Wendell Electronics a.s. in the year. The Company has been consolidated from 14 February 2019. Revenue and EBITDA totalled DKK 17.6 million and DKK 3.5 million, respectively, from 1 January - 14 February 2019.

Financial development - Group

Sales for 2019 totalled DKK 717 million, which is an increase of 28% compared to 2018 (DKK 560 million). The growth was driven by the acquisition of the Wendell Group in the Czech Republic representing 17% of the growth and by existing and new customers representing 11% of the growth. The sales growth relating to existing and new customers is attributable to all 3 customer segments.

DKK 717 million (28 % growth) in revenue

In 2019, the Group realised total earnings (EBITDA) before special items of DKK 61 million (2018: DKK 43 million) and a profit after tax of DKK 30 million (2018: DKK 26 million).

The higher EBITDA before special items compared to last year is primarily due to the acquisition of the Wendell Group and the increase in revenue from existing and new customers. The increase in EBITDA was according to budget and thereby considered satisfactory.

The balance sheet total for the Group was DKK 482 million at the end of the financial year compared to DKK 304 million last year. The increase is mainly driven by the acquisition of the Wendell Group.

Cash flows from operating activities

Cash flows from operating activities in 2019 amounted to DKK 69 million (2018: DKK 28 million), which is considered satisfactory.

DKK 69 million (146 % growth) in positive cash flow from operating activities

Cash flows from investing and financing activities, and Net interest-bearing debt

Cash flow from investing activities totalled DKK -77 million (2018: DKK -6 million) and relates primary to the acquisition of the Wendell Group. Cash flow from financing activities totalled a positive amount of DKK 49 million, split into new loan of DKK 81 million in connection with the Wendell Group acquisition and payments of interest-bearing debt.

As of 31 December 2019, the net interest-bearing debt is DKK 37 million, while 2018 ended with a negative DKK 9 million.

The current capital structure provides the flexibility required to fully support the future strategy of the Company.

Management's review

Investments

In 2019, the primary investment relates to the acquisition of the Wendell Group and investments made in the facilities after the takeover.

Dividends

The Board proposes that no dividends be paid for the financial year 2019.

Recognition and measurement uncertainties

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

Special items

There has been extraordinary cost for acquisition of the Wendell Group.

Events after the completion of the financial statements

After the completion of the financial statements and until today's date, no events have occurred that would significantly change the Group's financial position and thereby affect the evaluation of the annual report.

Expected development

Continued growth in turnover of 1-2% in 2020 is expected as the Company considers 2020 to be a consolidation year after the acquisition of Wendell Group.

Earnings (EBITDA) are expected to slightly increase with a positive cash flow. The challenging commodities market in 2020 and the fully integration of Wendell Electronics a.s. is expected to cause further cost and therefore the expectations for 2020 is that the result will be in line with 2019.

Financial development - parent company

In 2019, turnover totalled DKK 522 million (2018: DKK 449 million). Profit after tax was DKK 30 million (2018: DKK 26 million). At the end of the financial year, the balance sheet total amounted to DKK 396 million (2018: DKK 254 million). Equity as of 31 December 2019 amounted to DKK 158 million (2018: DKK 127 million).

Risk conditions

Business risks

The primary business risk faced by the Group 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.

Management's review

Financial risks

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

In addition, customers and inventory are guaranteed via external credit insurance. Some large groups are not insured via external credit insurance due to their risk profile.

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

Knowledge resources

In 2019, the Company maintained its focus on the competitive situation.

Full-time employees are allocated as follows:

Denmark	18%
China	64%
Czech	18%

In order to continually be able to deliver and develop competitive products and solutions, it is paramount that the Group be able to retain and develop employees with a high level of education.

Therefore, our HR department works with a strategic perspective which in future will focus on goal-oriented work relating to attraction, development and job satisfaction amongst the staff.

Statutory Declaration of Corporate Social Responsibility

Responsibility

The Group joined the UN Global Compact in 2010. The progress report for the year was published and can be retrieved via:

<https://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/437944>

Whistle blowers

Employees at BB Electronics China have the ability to contact an external company anonymously if there should be events that they wish to report. No such contacts were made under this arrangement in 2019.

Goals and policies for gender composition of Management

BB Electronics has laid down goals for the recruitment of women for management positions. BB Electronics wants to make the goal of more women in management positions 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:

- The current representation of females at senior management level (the Board) is currently 0%, and the target is at least 25% in 5 years from now. There were no actual replacements on the Board in 2019.
- The representation of female senior managers at the daily management level (Executive Board) is currently 25%, and the target here is also no less than 25%.

The goal is for at least one of each gender to be amongst the final three candidates in the recruitment process.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

Note	DKK'000	Group		Parent	
		2019	2018	2019	2018
2	Revenue	717,191	560,416	522,428	448,566
3,4	Production costs	-619,453	-481,642	-462,431	-396,120
	Gross profit	97,738	78,774	59,997	52,446
4	Distribution costs	-16,081	-12,124	-9,055	-9,456
3,4,5	Administrative costs	-40,846	-32,141	-25,022	-22,302
	Operating profit	40,811	34,509	25,920	20,688
6	Other operating income	136	55	3,673	3,080
	Other operating expenses	-3	-1,008	-3	-2
	Profit before net financials (EBIT)	40,944	33,556	29,590	23,766
3,12	Profit from equity investments in subsidiaries after tax	0	0	9,623	5,483
7	Financial income	3,443	404	1,073	405
8	Financial expenses	-4,811	-3,452	-3,046	-1,387
	Profit before tax	39,576	30,508	37,240	28,267
9	Tax on profit or loss for the year	-9,390	-4,339	-7,054	-2,098
	Profit for the year	30,186	26,169	30,186	26,169
20	Appropriation of profit				

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group		Parent	
		2019	2018	2019	2018
	ASSETS				
	Fixed assets				
10	Intangible assets				
	Goodwill	15,012	0	0	0
	Software	2,269	2,559	2,244	2,517
	Other intangible assets	18,522	182	121	182
		35,803	2,741	2,365	2,699
11	Property, plant and equipment				
	Land and buildings	23,070	0	0	0
	Leasehold improvements	1,196	1,000	632	167
	Plant and machinery	24,913	11,590	5,762	7,185
	Other fixtures and fittings	690	879	454	666
	Property, plant and equipment under construction	6,483	0	0	0
		56,352	13,469	6,848	8,018
12	Financial assets				
	Investments in subsidiaries	0	0	162,293	90,391
	Other receivables	1,363	989	1,363	989
		1,363	989	163,656	91,380
	Total fixed assets	93,518	17,199	172,869	102,097
	Current assets				
13	Inventories				
	Raw materials and consumables	124,661	110,821	31,790	37,946
	Work in progress	18,444	10,166	8,243	6,269
	Finished goods and goods for resale	20,042	10,987	11,657	7,449
	Prepayments for goods	661	1,029	0	0
		163,808	133,003	51,690	51,664
	Receivables				
	Trade receivables	108,286	83,997	75,882	61,092
	Receivables from group entities	14,326	11,499	33,566	11,926
	Other receivables	2,457	1,173	128	257
9	Deferred tax assets	16,690	22,347	12,107	18,123
9	Tax receivables	168	753	0	0
	Prepayments	1,858	1,734	1,263	1,180
		143,785	121,503	122,946	92,578
16	Cash and cash equivalents	80,902	32,219	48,737	7,321
	Total current assets	388,495	286,725	223,373	151,563
	TOTAL ASSETS	482,013	303,924	396,242	253,660

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group		Parent	
		2019	2018	2019	2018
	EQUITY AND LIABILITIES				
	Equity				
14	Share capital	7,634	7,634	7,634	7,634
	Reserve for net revaluation according to the equity method	0	0	50,228	39,506
	Retained earnings	150,373	119,133	100,145	79,627
	Total equity	158,007	126,767	158,007	126,767
	Provisions				
9	Deferred tax	5,820	0	0	0
	Other provisions	752	318	0	0
	Total provisions	6,572	318	0	0
	Liabilities				
15	Non-current liabilities				
	Credit institutions	89,652	13,851	70,431	13,851
	Lease debt	257	401	257	408
	Other non-current debt	2,346	668	2,346	667
		92,255	14,920	73,034	14,926
	Current liabilities				
	Short-term part of non-current liabilities	26,120	8,601	26,120	8,481
	Trade payables and other accounts payable	129,745	105,693	44,608	35,202
	Prepayments from customers	27,267	19,026	24,383	16,857
	Payables to group entities	0	0	51,180	34,406
	Other payables	42,047	28,599	18,910	17,021
		225,179	161,919	165,201	111,967
	Total liabilities other than provisions	317,434	176,839	238,235	126,893
	TOTAL EQUITY AND LIABILITIES	482,013	303,924	396,242	253,660

- 1 Accounting policies
- 16 Contingent assets and collaterals
- 17 Operating leases and rental agreements
- 18 Related parties
- 19 Currency and interest rate risks and use of derived financial instruments

Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Group		
		Share capital	Retained earnings	Total equity
	Equity at 1 January 2018	7,634	93,222	100,856
	Value adjustments of hedging instruments after tax	0	132	132
	Exchange rate adjustments of foreign companies	0	-390	-390
	Profit for the year	0	26,169	26,169
	Equity at 1 January 2019	7,634	119,133	126,767
	Value adjustments of hedging instruments after tax	0	-45	-45
	Exchange rate adjustments of foreign companies	0	1,099	1,099
	Profit for the year	0	30,186	30,186
	Equity at 31 December 2019	7,634	150,373	158,007

Note	DKK'000	Parent			
		Share capital	Net revaluation reserve according to the equity method	Retained earnings	Total
	Equity at 1 January 2018	7,634	34,413	58,809	100,856
	Value adjustments of hedging instruments after tax	0	0	132	132
	Exchange adjustments for subsidiary	0	-390	0	-390
20	Profit for the year	0	5,483	20,686	26,169
	Equity at 1 January 2019	7,634	39,506	79,627	126,767
	Value adjustments of hedging instruments after tax	0	0	-45	-45
	Exchange adjustments for subsidiary	0	1,099	0	1,099
20	Profit for the year	0	9,623	20,563	30,186
	Equity at 31 December 2019	7,634	50,228	100,145	158,007

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	Group	
		2019	2018
	Profit for the year	30,186	26,169
21	Adjustments	22,962	12,546
22	Changes in working capital	20,278	-7,011
	Cash flows from operations	73,426	31,704
9	Income tax paid	-4,188	-3,413
	Cash flows from operating activities	69,238	28,291
	Acquisition of intangible assets	-2,032	-1,015
	Acquisition of property, plant and equipment	-12,350	-5,245
	Acquisition of Wendell Group	-62,201	0
	Change in financial assets	-374	0
	Sale of property, plant and equipment	151	101
	Cash flows from investing activities	-76,806	-6,159
	Interest-bearing debt	-20,333	-7,026
	Loan for Wendell Group acquisition	80,525	0
	Change in receivables from/payables to group entities	-2,827	-4,022
	Financial income, received	3,443	404
	Financial expenses, paid	-4,811	-3,452
	Deposit	-7,251	0
	Cash flows from financing activities	48,746	-14,096
	Cash flows for the year	41,178	8,036
	Cash at 1 January	32,219	24,314
	Exchange rate adjustment of cash and cash equivalents at 1 January	254	-131
	Cash at 31 December	73,651	32,219

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies

The consolidated financial statements and the parent company financial statements of BB Electronics A/S for 2019 have been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting Class C entities.

The financial statements have been prepared according to the same accounting policies as last year. Some accounting items have been reclassified. Financial ratios have been restated.

Consolidated financial statements

The consolidated financial statements comprise the parent company, BB Electronics A/S and subsidiaries in which the parent - directly or indirectly - owns the majority of voting rights or in which the parent company via share ownership or otherwise holds a controlling interest.

The consolidated financial statements are presented as a consolidation of the financial statements of the parent company and subsidiaries, all of which are prepared in accordance with the accounting policies of the BB Electronics Group.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on intra-group transactions are eliminated. Unrealised losses are eliminated in the same way as unrealised gains unless they do not reflect impairment.

The equity investments held by the parent company in consolidated subsidiaries are netted against the parent company's share of the subsidiaries' net asset value as recorded at the time of establishment of the group relationship.

Business combinations

Newly acquired entities are recognised in the consolidated financial statements from the acquisition date. Entities sold or otherwise disposed of are recognised in the consolidated financial statements up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities.

The acquisition date is the date when the Group actually obtains control of the acquired entity.

The purchase method is applied to acquisitions of new businesses over which the Group obtains control. The acquired businesses' identified assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on revaluations is recognised.

Positive differences (goodwill) between, on the one hand, the consideration for the acquired entity and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill in intangible assets. Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the Group's presentation currency are accounted for as assets and liabilities belonging to the foreign entity and are, on initial recognition, translated into the foreign entity's functional currency using the exchange rate at the transaction date.

The purchase consideration for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the purchase consideration is contingent on future events or compliance with agreed terms, such part of the purchase consideration is recognised at fair value at the acquisition date. Subsequent adjustments of contingent purchase considerations are recognised in the income statement.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Expenses incurred to acquire entities are recognised in the income statement in the year in which they are incurred.

If uncertainties regarding the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase consideration exist at the acquisition date, initial recognition will take place on the basis of provisional values. If it turns out subsequently that the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Subsequently, any adjustments are recognised as errors.

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.

The Group's foreign subsidiaries are independent entities. The income statements are converted to an average exchange rate, while items in the balance sheet are converted to the rate on the reporting date. Exchange rate adjustments arising from the conversion of subsidiaries' equity at the opening of the year and exchange rate adjustments arising from the conversion of the income statement from an average conversion rate to the rate on the reporting date are entered directly in equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently at fair value. Positive and negative fair values of derived financial instruments are recognised as other receivables and other liabilities, respectively.

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.

Segment information

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

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Income statement

Revenue

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 include costs incurred to achieve the net sales for the year, including direct and indirect raw materials and consumables, salaries and wages, rents and leasing, and depreciation on production plants.

Distribution costs

Costs recognised under distribution costs include costs related to the distribution of goods sold throughout the year and any sales campaigns, etc. This includes costs related to sales staff, advertising and exhibition costs, and depreciation.

Other operating income/expenses

Other operating income and expenses include accounting items of a secondary nature in relation to the main activities of the group companies, such as profits and losses in regard to sales of intangible assets, property, plant and equipment and financial assets.

Profit or loss from equity investments in subsidiaries and associated companies

The parent company's income statement is recognised in profit after tax of the subsidiary after full elimination of internal profit/loss and amortisation/depreciation on PPA-adjustment and goodwill.

Financial entries

Financial income and expenses include interest income and expenses, realised and unrealised exchange gains and losses regarding obligations and transactions in foreign currencies, amortisation of financial assets and obligations, and increases and compensations under the tax on account scheme etc. Financial income and expenses are recognised at the amounts concerning the financial year.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Tax on profit or loss for the year

BB Electronics A/S is covered by the Danish rules for compulsory joint taxation of the parent company. Subsidiaries are included in the joint taxation from the time they are included in the consolidated financial statements until the time when they are excluded from the consolidation.

The parent company is the management company for the joint taxation and consequently settles all payments of corporation tax with the tax authorities.

The current Danish corporate tax is allocated by settlement of joint taxation contributions between the jointly taxed companies in proportion to their taxable income. In connection with this, companies with tax deficits receive joint tax contributions from companies that have been able to use these deficits for the reduction of their own taxable profits.

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.

No withholding tax on profit in subsidiaries is recognised in the income statement as there is no policy for or intension to distribute dividends from subsidiaries. In Denmark, gain on the sale of shares in subsidiaries is tax-free income. Withholding tax on the accumulated profit in subsidiaries is disclosed in notes 9 and 12.

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 20 years. The amortisation period is fixed on the basis of the expected repayment horizon and is longest for strategically acquired entities with strong market positions and long-term earnings profiles.

Software

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

Other intangible assets

Other intangible assets include the value of the customer list and are calculated at cost less accumulated amortisation. Customer lists are amortised over 5-10 years.

Property, plant and equipment

Furnishing of rented premises, technical plant and machinery and other fixtures and fittings are calculated at cost less accumulated depreciation.

The depreciation base is cost less expected residual value at the end of the useful life.

Cost includes purchase price and costs directly related to the purchase up until the time when the asset is ready to be put into use. For proprietary assets, the cost includes cost of materials, components, subcontractors, direct wages and indirect production costs.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Linear depreciation is performed on the basis of the following evaluation of the expected useful life of the asset:

Leasehold improvements	5 years
Buildings	25 years
Plant and machinery	5-8 years
Other fixtures and fittings	3 years

The depreciation base is calculated based on the asset's residual value at the end of its useful life less any write-downs. The depreciation period and the residual value are determined on the date of acquisition and reassessed annually. The depreciation period ends if the residual value exceeds the carrying amount.

The effect of the depreciation is recognised as a change in accounting estimates if there are changes in the depreciation period or residual value.

Depreciation is recognised in the income statement under production, distribution and administrative costs.

Leasing contracts

Leasing contracts related to assets, where the company holds all material risks and advantages in connection with ownership (financial leasing), are calculated through initial recognition in the balance sheet at the lower of fair value and the present value of future lease payments. The lease's internal interest rate or the alternative borrowing rate, such as the discount factor, is used when calculating the present value. Assets held under finance lease are hereinafter accounted for as the Company's other assets.

The capitalised residual leasing liability is recognised in the balance sheet as a liability and the interest element of the leasing payment is recognised throughout the term of the contract in the income statement.

All other leasing contracts are classified as operating leases. Services connected with operating leases and other leasing contracts are recognised in the income statement over the term of the contract. The Company's total liabilities relating to operating leases are included in contingencies, etc.

Financial assets

Investments in subsidiaries

Investments in subsidiaries are recognised in the balance sheet as the proportional share of the companies' net asset value and calculated based on the accounting policies for the parent company while subtracting or adding unrealised profits and losses in the Group and including not yet amortised/depreciated PPA adjustments and goodwill.

Net revaluation of equity investments in subsidiaries are transferred under equity as a reserve for net revaluations using the equity method to the extent the carrying amount exceeds the cost.

No withholding tax on profit in subsidiaries is recognised in the income statement as there is no policy for or intension to distribute dividends from subsidiaries. In Denmark, gain on the sale of shares in subsidiaries is tax-free income. Withholding tax on the accumulated profit in subsidiaries is disclosed in notes 9 and 12.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Impairment of assets

The carrying amount of intangible assets and property, plant and equipment, as well as investments in subsidiaries, are assessed annually for indications of impairment other than those expressed by depreciation.

If there are indications of impairment, an impairment test of the asset or group of assets is made. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The higher of net sales price and net asset value is used for the recoverable amount. The net asset value is calculated at the present value of expected net cash flows from an asset or asset group and expected net cash flows from the sale of assets or asset groups at the end of their useful life.

Previously calculated impairment losses are reversed if the reasons for impairment are no longer valid. Impairment of goodwill is not reversed.

Current assets

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

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

Prepayments

Prepayments recognised under assets include costs relating to subsequent financial years.

Equity

Expected dividends for the year are shown as a separate item under equity. Dividends are recognised as a liability at the time they are approved by the general meeting.

Reserve for net revaluation according to book value includes net revaluation of equity investments in subsidiaries in relation to cost.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

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.

Payable and receivable joint tax contributions are recognised as "Income tax receivable" or "Income tax payable".

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.

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.

Provisions

Provisions include expected costs for warranty obligations and other unknown circumstances.

Provisions are recognised when the Group/Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

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.

The capitalised residual lease liability on financial leasing contracts is also recognised in financial liabilities.

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

Fair value

The fair value measurement is based on the principal market. If a primary market does not exist, it is based on the most advantageous market, which is the market that maximises the price of the asset or liability less transactions and/or transportation costs.

All assets and liabilities that are measured at fair value or whose fair value has been disclosed are classified based on the fair value hierarchy as described below:

- Level 1: Value calculated based on the fair value of similar assets/liabilities in an active market.
- Level 2: Value calculated based on generally accepted valuation methods based on observable market information.
- Level 3: Value calculated on generally accepted valuation methods and reasonable estimates based on non-observable market information.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Statement of cash flows

The statement of cash flows shows the Group's cash flows for the year divided into operating activities, investing activities and financing activities for the year, cash transfers for the year and liquid assets at the opening and closing of the year.

Cash flows from operating activities

Cash flows from operating activities are recognised as the profit or loss for the year adjusted for non-cash operating items, changes in working capital and corporate tax paid.

Cash flows from investing activities

Cash flows from investing activities include payments related to the acquisition and sale of companies and assets as well as acquisitions and sales of intangible assets, property, plant and equipment and financial assets.

Cash flows from financing activities

Cash flows from financing activities include payments to and from shareholders, borrowing, and interest and capital repayment on interest-bearing debts.

Cash

Liquid assets include cash and bank deposits.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

2 Revenue

Distribution of geographical markedts is as follows:

DKK'000	Group		Parent	
	2019	2018	2019	2018
Denmark	335,811	325,230	335,811	293,147
Other countries	381,380	235,186	186,617	155,419
	<u>717,191</u>	<u>560,416</u>	<u>522,428</u>	<u>448,566</u>

3 Special items

Special items include significant income and expenses of a special nature relative to the Group's revenue-generating operating activities. Special items also include other significant amounts of a non-recurring nature that Management does not consider part of the Group's ordinary operations.

Profit or loss for the year was affected by special items relating to continued exploration of opportunities and acquisition of subsidiary in Eastern Europe, which Management considers not to be part of the ordinary operations.

Special items for the year are specified below, including the line items in which they are recognised in the income statement.

DKK'000	Group	
	2019	2018
Costs		
Costs, exploring establishment and acquisition of subsidiary in Eastern Europe and new factory in China (2018: including customs case)	<u>-8,042</u>	<u>-3,866</u>
Special items are included in the consolidated financial statements in the following line items:		
Production costs	-1,934	-565
Administrative expenses	-6,108	-2,299
Other ordinary operating expenses	0	-1,002
	<u>-8,042</u>	<u>-3,866</u>

The parent company recognised production costs of DKK 11 thousand and administrative expenses of DKK 5,475 thousand in special items and DKK 2,556 thousand as part of the result in the subsidiary, a total of DKK 8,042 thousand.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

4 Staff costs and incentive plans

Staff costs are broken down as follows:

DKK'000	Group		Parent	
	2019	2018	2019	2018
Salaries and wages	115,492	95,269	58,308	52,048
Pension contributions	11,747	7,735	3,941	3,372
Other social security costs	6,692	5,037	1,133	727
	<u>133,931</u>	<u>108,041</u>	<u>63,382</u>	<u>56,147</u>
and are recognised as follows:				
Production costs	108,754	84,712	44,107	37,179
Distribution costs	7,934	7,563	7,422	7,563
Administrative expenses	17,243	15,766	11,853	11,405
	<u>133,931</u>	<u>108,041</u>	<u>63,382</u>	<u>56,147</u>
of which remuneration to the Board of Directors and the Executive Board total	<u>3,031</u>	<u>2,873</u>	<u>3,031</u>	<u>2,873</u>
Average number of full-time employees	<u>676</u>	<u>485</u>	<u>118</u>	<u>103</u>
Number of permanent employees as of 31 December	<u>691</u>	<u>477</u>	<u>116</u>	<u>104</u>

Incentive programmes

In 2016, a warrant programme was established for the benefit of Management and certain key employees. The programme allows the Board of the parent company to issue up to 12,470 warrants to be allocated over a period of 5 years with a grant of 20% yearly. In case of an Exit or at 1 May 2021, at the latest, the rest of the warrants will be granted to the employees. 5,839 warrants were granted to key employees at the end of 2018 and 1,740 were granted in 2019, a total of 7,579. Exercising warrants is only an option by an Exit (sale of BB Electronics Holding ApS or BB Electronics A/S), the owner is entitled to subscribe shares in BB Electronics Holding ApS at a cost of DKK 2,000 plus a hurdle rate of 8 % p.a. (after 1 January 2020) per share with a nominal value of DKK 1. The warrants must be exercised by 1 May 2023, otherwise they will be void unless special circumstances according to the warrants agreement are fulfilled.

There has not been any recognition of cost related to the incentive programme in the income statement.

5 Fee to the Company's auditor appointed by the general meeting

The BB Electronics A/S Group is included in the consolidated financial statements of the parent company, where the fee to the auditor elected by the AGM is stated.

6 Other operating income

Other operating income:

DKK'000	Group		Parent	
	2019	2018	2019	2018
Profit on sale of fixed assets	136	55	76	55
Income in the form of joint costs invoiced to subsidiary	0	0	3,597	3,025
	<u>136</u>	<u>55</u>	<u>3,673</u>	<u>3,080</u>

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

7 Financial income

	Group		Parent	
	2019	2018	2019	2018
DKK'000				
Exchange rate gains	3,026	385	505	385
Other financial income	417	19	568	20
	<u>3,443</u>	<u>404</u>	<u>1,073</u>	<u>405</u>

Parent company

Interest from group entities amounts to DKK 513 thousand (2018: DK 18 thousand).

8 Financial expenses

	Group		Parent	
	2019	2018	2019	2018
DKK'000				
Exchange rate losses	126	1,703	0	0
Other financial expenses	4,685	1,749	3,046	1,387
	<u>4,811</u>	<u>3,452</u>	<u>3,046</u>	<u>1,387</u>

Parent company

Interest to group entities amounts to DKK 0 thousand (2018: DK 0 thousand).

9 Income tax and deferred tax

	Group		
	Income tax liability	Deferred tax assets	Tax according to income statement
DKK'000			
Balance, 1 January 2018	812	24,864	0
Exchange rate adjustments	0	-26	0
Adjustment of deferred tax for the year	0	-2,491	2,491
Income tax paid	-3,413	0	0
Tax related to income for the year	1,848	0	1,848
Balance, 31 December 2018	<u>-753</u>	<u>22,347</u>	<u>4,339</u>
Balance, 1 January 2019	-753	22,347	0
Exchange rate adjustments	0	32	0
Acquisition of new entity	1,144	-5,805	0
Tax regarding equity adjustments	0	0	57
Adjustment of deferred tax for the year	0	-5,704	5,704
Income tax paid	-4,188	0	0
Tax related to income for the year	3,629	0	3,629
Balance, 31 December 2019	<u>-168</u>	<u>10,870</u>	<u>9,390</u>
Recognised as per below:			
Assets	-168	16,690	
Liabilities	0	-5,820	
Balance, 31 December 2019	<u>-168</u>	<u>10,870</u>	

The deferred tax asset consists of tax loss carryforwards and accelerated depreciation options. Based on budgets and projections, Management believes that it will be possible to utilise the tax asset.

Withholding tax on the accumulated profit in subsidiaries can be calculated to DKK 2.9 million. The amount has not been recognised in the income statement.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

9 Income tax and deferred tax (continued)

DKK'000	Parent		
	Income tax liability	Deferred tax assets	Tax according to income statement
Balance, 1 January 2018	0	19,700	0
Adjustment of deferred tax for the year	0	-1,577	1,577
Tax regarding equity adjustments	0	0	-38
Income tax paid	-321	0	0
Tax on income for the year/joint taxation	559	0	559
Balance, 31 December 2018	238	18,123	2,098
Balance, 1 January 2019	238	18,123	0
Adjustment of deferred tax for the year	0	-6,016	6,016
Tax regarding equity adjustments	0	0	57
Income tax paid	-300	0	0
Tax related to income for the year	981	0	981
Transferred to receivables from group entities	-919	0	0
Balance, 31 December 2019	0	12,107	7,054

The deferred tax asset consists of tax loss carryforwards and accelerated depreciation options. Based on budgets and projections, Management believes that it will be possible to utilise the tax asset.

Withholding tax on the accumulated profit in subsidiaries can be calculated to DKK 2.9 million. The amount has not been recognised in the income statement.

10 Intangible assets

DKK'000	Group			
	Goodwill	Software	Other intangible assets	Total
Cost at 1 January 2019	0	24,873	303	25,176
Additions from business confirmations	15,699	0	20,166	35,865
Exchange rate adjustments	0	10	0	10
Additions	0	2,032	0	2,032
Disposals	0	-6,444	0	-6,444
Cost at 31 December 2019	15,699	20,471	20,469	56,639
Amortisation at 1 January 2019	0	-22,314	-121	-22,435
Exchange rate adjustments	0	-9	0	-9
Amortisation for the year	-687	-2,323	-1,826	-4,836
Reversals of amortisation by the end of the year	0	6,444	0	6,444
Amortisation at 31 December 2019	-687	-18,202	-1,947	-20,836
Carrying amount at 31 December 2019	15,012	2,269	18,522	35,803
Amortised over	20 years	3-5 years	5 years	

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

10 Intangible assets (continued)

DKK'000	Parent		
	Software	Other intangible assets	Total
Cost at 1 January 2019	24,283	303	24,586
Additions	1,411	0	1,411
Disposals	-6,444	0	-6,444
Cost at 31 December 2019	19,250	303	19,553
Amortisation at 1 January 2019	-21,766	-121	-21,887
Amortisation for the year	-1,684	-61	-1,745
Reversals of amortisation by the end of the year	6,444	0	6,444
Amortisation at 31 December 2019	-17,006	-182	-17,188
Carrying amount at 31 December 2019	2,244	121	2,365
Amortised over	3-5 years	5 years	

11 Property, plant and equipment

DKK'000	Group					
	Land and buildings	Leasehold improvements	Plant and machinery	Other fixtures and fittings	Property, plant and equipment under construction	Total
Cost at 1 January 2019	0	24,389	130,883	18,138	0	173,410
Additions from business combinations	23,476	0	42,065	0	0	65,541
Exchange rate adjustments	176	87	802	50	-74	1,041
Additions/Transfer	444	567	4,704	78	6,557	12,350
Disposals	0	-5,351	-10,746	-1,766	0	-17,863
Cost at 31 December 2019	24,096	19,692	167,708	16,500	6,483	234,479
Depreciation at 1 January 2019	0	-23,389	-119,293	-17,259	0	-159,941
Transferred from business combinations	-153	0	-28,050	0	0	-28,203
Exchange rate adjustments	-4	-77	-648	-49	0	-778
Depreciation for the year	-869	-381	-5,548	-268	0	-7,066
Reversals of accumulated depreciation and impairment on assets sold	0	5,351	10,744	1,766	0	17,861
Depreciation at 31 December 2019	-1,026	-18,496	-142,795	-15,810	0	-178,127
Carrying amount at 31 December 2019	23,070	1,196	24,913	690	6,483	56,352
Property, plant and equipment include assets held under financial lease with a total carrying amount of	0	0	0	418	0	418
Depreciated over	25 years	5 years	5-8 years	3-8 years		

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

11 Property, plant and equipment (continued)

DKK'000	Parent			Total
	Leasehold improve- ments	Plant and machinery	Other fixtures and fittings	
Cost at 1 January 2019	13,559	74,946	11,783	100,288
Additions	567	848	0	1,415
Disposals	-5,351	-10,702	-1,789	-17,842
Cost at 31 December 2019	8,775	65,092	9,994	83,861
Depreciation at 1 January 2019	-13,392	-67,761	-11,117	-92,270
Depreciation for the year	-102	-2,271	-182	-2,555
Reversals of accumulated depreciation and impairment on assets sold	5,351	10,702	1,759	17,812
Depreciation at 31 December 2019	-8,143	-59,330	-9,540	-77,013
Carrying amount at 31 December 2019	632	5,672	454	6,848
Property, plant and equipment include assets held under financial lease with a total carrying amount of	0	0	418	418
Depreciated over	5 years	5-8 years	3-8 years	

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

12 Financial assets

	Group	
		Other receivables
DKK'000		
Cost at 1 January 2019		989
Additions		374
Cost at 31 December 2019		1,363
Carrying amount at 31 December 2019		1,363

	Parent	
	Equity invest- ments in subsidiaries	Other receivables
DKK'000		
Cost at 1 January 2019	35,057	989
Additions	60,999	374
Cost at 31 December 2019	96,056	1,363
Revaluation at 1 January 2019	55,334	0
Profit for the year after tax	9,623	0
Exchange rate adjustments	1,099	0
Other	181	0
Revaluation at 31 December 2019	66,237	0
Carrying amount at 31 December 2019	162,293	1,363

Withholding tax on the accumulated profit in subsidiaries can be calculated to DKK 2.9 million. The amount has not been recognised in the carrying amount at 31 December 2019.

Carrying amount at 31 December 2019 of goodwill and other further values are DKK 39,3 million.

Equity investments in subsidiaries are specified as follows:

	Principal place of business	Share capital	Vote and ownership share
BB Electronics (Suzhou) Co. Ltd.	China	CNY 45,634 thousand	100%
Wendell Holding a.s.	Czech Republic	CZK 2,000 thousand	100%
Wendell Electronics a.s.	Czech Republic	CZK 2,000 thousand	100%
BB Electronics Poland SP Z.o.o.	Poland	PLN 5 thousand	100%

13 Inventories

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

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

14 Authorised share capital

As of 31 December 2019, equity consisted of 76,340 shares of DKK 100 each.

The share capital has remained unchanged for the past 5 years.

15 Non-current liabilities

Payments due within 1 year are recognised under current liabilities. As of 31 December 2019, non-current liabilities amounted to DKK 92,225 thousand (2018: DKK 14,920 thousand). The non-current liabilities mature within 5 years after the reporting date.

16 Contingent liabilities and collateral

Group

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 financial institution has provided a customer with a guarantee of DKK 530 thousand which expires in 2021.

The Company's banker has issued a payment guarantee totalling EU 980 thousand. A corresponding amount has been deposited at a cover-for-liabilities account, and the balance is recognised in cash and cash equivalents.

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.

Parent company

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 financial institution has provided a customer with a guarantee of DKK 530 thousand which expires in 2021.

The Company's banker has issued a payment guarantee totalling EUR 980 thousand (DKK 7.3 million). A corresponding amount has been deposited at a cover-for-liabilities account, and the balance is recognised in cash and cash equivalents.

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.

BB Electronics A/S forms a tax group with the parent company and as of 13 February 2016, the Company is jointly liable with the parent company 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 shown in the parent company's financial statements (BB Electronics Holding ApS, CVR No. 37 40 70 97). Any later corrections of tax group income may result in a higher tax group liability.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

17 Operating leasing and rental agreements

Group

In addition to finance leases, the Company has acquired operating lease liabilities with payments in the non-cancellation period totalling DKK 1,614 thousand (2018: DKK 1,033 thousand). The leasing contracts have non-cancellation periods of up to 48 months.

The rental agreement in Denmark is not subject to cancellation until 30 June 2022. The annual rent during the non-cancellation period amounts to DKK 5,573 thousand (2018: DKK 2,498 thousand/12 months' notice).

The non-cancellation period for the rental agreement in China ends on 31 May 2022. The total rent during the non-cancellation period amounts to DKK 6,923 thousand (2018: DKK 1,325 thousand).

Parent company

In addition to finance leasing contracts, the Company has entered into operating lease liabilities with payments in the non-cancellation period totalling DKK 1,614 thousand (2018: DKK 1,033 thousand). The leasing contracts have non-cancellation periods of up to 48 months.

The rental contract is not subject to cancellation until 30 June 2022, after which it can be terminated with 12 months' notice. The annual rent is DKK 5,573 thousand (2018: DKK 2,498 thousand/12 months' notice).

18 Related parties

BB Electronics A/S' related parties include the following:

Controlling interest	Background	Transactions
Sales of finished goods and components	Subsidiaries	DKK 5,723 thousand
Sales of IT services	Subsidiaries	DKK 3,597 thousand
Interest income from loans	Parent company	DKK 243 Thousand
Intercompany loan (Receivable)	Parent company	DKK 14,326 thousand
Intercompany loans (Receivable)	Subsidiaries	DKK 19,243 thousand

Ownership

The following shareholder is listed in the list of owners as holding 100% of the share capital:

BB Electronics Holding ApS Ane Staunings Vej 21
8700 Horsens, Denmark

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

19 Currency and interest rate risks and use of derived financial instruments

The Group uses hedging instruments such as forward exchange contracts and interest rate/currency swaps to hedge recognised and non-recognised transactions.

2019

There are no financial contracts to hedge currency translation exposure in the income statement as of 31 December 2019.

As of 31 December 2019, the Group entered into the following forward contracts to hedge product purchases:

Currency	Contract value	Market value
	Currency '000	DKK'000
EUR/USD	202	-13
EUR/CNY	4,289	28
	<u>4,491</u>	<u>15</u>

As of 31 December 2019, the market value of forward contracts is included as other receivables and directly in equity.

The Company hedges interest rate risks using interest rate swaps, whereby variable interest payments are converted to fixed interest payments.

	Calculation Principal	Value adjustments recognised in equity	Fair value	Residual maturity
DKK'000				
Interest rate swaps	<u>10,577</u>	<u>-101</u>	<u>-101</u>	<u>3 years</u>

At 31 December 2019 the group companies are net exposed to payments of USD 651 thousand and payments of CNY 12,776 thousand.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

19 Currency and interest rate risks and use of derived financial instruments (continued)

2018

There are no financial contracts to hedge currency translation exposure in the income statement as of 31 December 2018.

As of 31 December 2018, the Group entered into the following forward contracts to hedge product purchases:

Currency	Contract value	Market value
	USD'000	DKK'000
EUR/USD	817	156

As of 31 December 2019, the market value of forward contracts is included as other receivables and directly in equity.

The Company hedges interest rate risks using interest rate swaps, whereby variable interest payments are converted to fixed interest payments.

	Calculation principal	Value adjustments recognised in equity	Fair value	Residual maturity
DKK'000				
Interest rate swaps	15,866	-138	-138	3 years

	2019	2018
DKK'000		
20 Appropriation of profit/loss		
Reserve for net revaluations according to the equity method	9,623	5,483
Retained earnings	20,563	20,686
	30,186	26,169

21 Statement of cash flows - adjustments

Depreciation and amortisation of intangible assets and property, plant and equipment	11,902	5,098
Profit on sale of fixed assets	-132	-55
Financial income	-3,443	-404
Financial expenses	4,811	3,452
Tax on profit for the year	9,390	4,339
Changes in provisions	434	116
	22,962	12,546

22 Statement of cash flows - changes in working capital

Change in receivables, etc.	-9,161	-1,203
Change in inventories	-1,162	-39,434
Change in suppliers, prepayments from customers and other liabilities, etc.	30,880	33,861
Exchange rate adjustments	-279	-235
	20,278	-7,011