

# **Despec Nordic Holding A/S**

Vassingerødvej 25, 3540 Lynge

CVR no. 27 98 30 81

## **Annual report 2016**

Approved at the Company's annual general meeting on 6. April 2017

Chairman of the general meeting:

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## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Despec Nordic Holding A/S for the financial year 1 January – 31 December 2016.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2016 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2016.

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

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

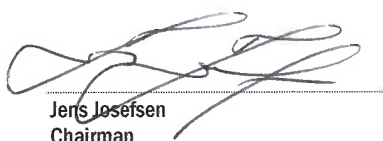
Lynge, 6 April 2017

Executive Board:

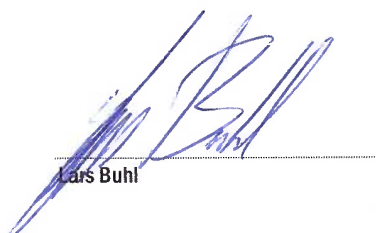


Michael S. Voll  
CEO

Board of Directors:



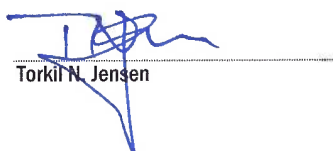
Jers Josefsen  
Chairman



Lars Buhl



Michael S. Voll



Torkil N. Jensen



Thomas Sterlet

## Independent auditor's report

### To the shareholders of Despec Nordic Holding A/S

#### Opinion

We have audited the consolidated financial statements and the parent company financial statements of Despec Nordic Holding A/S for the financial year 1 January – 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, as well as 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 2016 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2016 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" section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Management's responsibilities for the consolidated financial statements and the parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 these consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with ISAs and 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 consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

## Independent auditor's report

- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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 consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- ▶ Obtain sufficient 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.

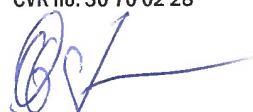
Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company 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.

Copenhagen, 6 April 2017  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Ole Hedemann  
State Authorised  
Public Accountant



Anders Flymer-Dindler  
State Authorised  
Public Accountant

## Management's review

### Company details

Name	Despec Nordic Holding A/S
Address, zip code, city	Vassingerødvej 25, 3540, Lyngø
CVR no.	27 98 30 81
Established	29 July 2004
Registered office	Allerød
Financial year	1 January – 31 December
Website	<a href="http://www.despec.dk">www.despec.dk</a>
E-mail	<a href="mailto:info@despec.dk">info@despec.dk</a>
Telephone	+45 45 76 47 00
Board of Directors	Jens Josefsen, Chairman Lars Buhl Michael S. Voll Torkil N. Jensen Thomas Sterlet
Executive Board	Michael S. Voll
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, 2000 Frederiksberg

## Management's review

### Financial highlights for the Group

EUR'000	2016	2015	2014	2013	2012
<b>Key figures</b>					
Revenue	165,590	190,387	179,829	173,289	175,542
Gross profit	13,078	15,163	11,550	10,683	10,871
Operating profit	1,997	4,248	2,601	1,914	2,626
Profit/loss from financial items	160	-276	-329	51	-98
Profit for the year	1,614	2,979	1,761	1,556	1,877
<b>Balance sheet</b>					
Total assets	38,411	38,121	40,004	34,350	31,644
Investment in fixed assets	378	253	35	236	14
Equity	13,463	13,489	11,191	10,706	11,025
<b>Cash flow</b>					
Cash flow from operating activities	4,753	6,714	-973	-387	1,996
Net cash flow from investing activities	-957	-1,956	-35	-202	-14
Cash flow from financing activities	-4,189	-4,273	860	-695	-904
Total cash flow	-393	485	-148	-1,284	1,078
<b>Financial ratios</b>					
Operating margin	1.21%	2.23%	1.45%	1.10%	1.50%
Gross margin	7.90%	7.96%	6.42%	6.16%	6.19%
Solvency ratio	35.05%	35.38%	27.97%	31.17%	34.82%
Return on equity	11.98%	24.90%	16.08%	14.32%	16.83%
<b>Average number of full-time employees</b>					
	161	167	137	135	133

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

Operating margin 
$$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$$

Gross margin 
$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Solvency ratio 
$$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Return on equity 
$$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$$



## Management's review

### Operating review

#### Principal activities of the Group

Despec Nordic Holding A/S' activities comprises trade and distribution of office and it-supplies to the whole-sale segment in the Nordic market.

The activities in Iceland are carried out through a branch owned by Despec Denmark A/S.

Despec Nordic Holding A/S is the parent company for the following subsidiaries:

- Despec Denmark A/S
- Despec Sweden AB
- Despec Norway AS
- Despec Finland Oy
- AB Thure Büngr

#### Development in activities and financial matters

The year 2016 was heavily influenced by several large projects in Despec.

In Sweden warehouses were consolidated and relocated so all future shipments in Sweden and Finland is now out of one new distribution center south of Stockholm, in Denmark a voice-based WMS (Warehouse Management System) was implemented to optimize future distribution, the new print-management-tool for dealers (PRISUME) was developed through the year and introduced to the market in January 2017 and a new Nordic PIM (Product Information Management) system was implemented. Late 2016 a new Nordic WEB platform also went live including 5 completely re-build country specific web-shops with full integration to PIM and all other systems. In addition Despec Norway and Despec Finland relocated to new premises and the local office in Alvesta, Sweden, was moved as well.

In this "project-year" the group realized a revenue of 165.6 mEUR, which were 13% less than 2015.

Despite the fact, that Despec had the same level of buying customers as in 2015, a vendor decision for direct delivery to one of the groups largest customer, a significant loss of revenue to two large international customers and a large retail customer decision for leaving the market, had significant influence on the revenue level.

With a Gross Margin of 7,90%, the group managed to keep the level from 2015 which were significantly higher than previous years.

The strong effort finalizing the projects in 2016 was resource-intensive, but the investments and the continued adjustments of the organization has brought Despec in a much stronger position to meet the increasing challenges from vendors and customers in the years to come.

Despec realized a net profit of 1,6 mEUR compared to 3,0 mEUR last year.

#### Outlook

The management expect the group will be in a better position to focus on business and earnings the coming year compared to 2016, and the management believes in a continuous improvement of the groups position in the Nordic market in the coming years.

The net result for 2017 is expected to be above the level for 2016 but below the level for 2015.

#### Risks

##### *General risks*

The general operating risks for the Despec Nordic Holding Group comprises the competition parameters price, mix of products and delivery time. All parameters are optimized on an ongoing basis, based on marked development, the demand from customers and actions from the competitors.



## Management's review

### Operating review

#### Risks

##### *Currency risks*

The group invoices customers in DKK, ISK, SEK, NOK and EUR. Purchases are essentially carried out in EUR. Currency risks in SEK and NOK are largely secured through derivatives. Due to the international suspension of ISK as a trading currency, the exchange rate for ISK is based on the Icelandic national bank, Sedlabankis, official exchange rate.

##### *Credit risks*

Credit risks relates to trade receivables. According to the Groups credit policy all customers are being credit rated and if possible insured through an external insurance company.

#### Social responsibility and diversity

The Group support the Danish government's efforts to put social responsibility high on the agenda. However, the Despec Nordic Holding Group has decided not to prepare formal policies regarding social responsibility, environment, climate and human rights. This decision is based on the Nordic approach for the group.

The Despec Nordic Holding Group seeks to create value for its customers and owners. As part of this is also the effort to be social responsible and be an as attractive partner and employer as possible through responsible attitude and behaviour.

The Group believes in diversity through the employees, including an equal mix of men and women, contributes positively to the working environment and strengthens the company's performance and competitiveness.

The diversity in the Board of Directors reflects the ownership structure. The target for the underrepresented gender is one and the target is sought to be fulfilled in 2018. Since there has been no new members of the Board of Directors in 2016, the gender composition remains the same. The Board of Directors consist of 5 men.

Despec Nordic Holding A/S has less than 50 employees and have assessed no importance of drawing a policy for gender composition for other management levels in accordance with Article 139a part 6 in The Danish Companies Act.

**Consolidated financial statements and parent company financial statements  
for the period 1 January – 31 December**

**Income statement**

Note	EUR'000	Consolidated		Parent company	
		2016	2015	2016	2015
2	Revenue	165,590	190,387	0	0
	Other operating income	0	0	165	187
	Cost of goods sold	-148,501	-170,898	0	0
3	Other external costs	-4,011	-4,326	-213	-174
	<b>Gross profit/loss</b>	<b>13,078</b>	<b>15,163</b>	<b>-48</b>	<b>13</b>
4	Staff costs	-10,712	-10,505	0	0
	Depreciation	-369	-410	0	0
	<b>Operating profit/loss</b>	<b>1,997</b>	<b>4,248</b>	<b>-48</b>	<b>13</b>
	Share of profit in subsidiaries after tax	0	0	1,719	3,067
5	Financial income	1,317	613	255	249
6	Financial expenses	-1,157	-889	-342	-378
	<b>Profit before tax</b>	<b>2,157</b>	<b>3,972</b>	<b>1,584</b>	<b>2,951</b>
7	Tax on profit for the year	-543	-993	30	28
	<b>Profit for the year</b>	<b>1,614</b>	<b>2,979</b>	<b>1,614</b>	<b>2,979</b>

**Consolidated financial statements and parent company financial statements  
for the period 1 January – 31 December**

**Balance sheet**

Note	EUR '000	Consolidated		Parent company	
		2016	2015	2016	2015
	<b>ASSETS</b>				
	<b>Non-current assets</b>				
8	<b>Intangible assets</b>				
	Goodwill	644	822	0	0
	Software	596	66	0	0
		<u>1,240</u>	<u>888</u>	<u>0</u>	<u>0</u>
9	<b>Property, plant and equipment</b>				
	IT-equipment	8	23	0	0
	Fixtures and fittings, tools and equipment	506	249	0	0
	Leasehold improvements	14	25	0	0
		<u>528</u>	<u>297</u>	<u>0</u>	<u>0</u>
	<b>Investments</b>				
10	Investments in subsidiaries	0	0	17,027	17,848
		<u>0</u>	<u>0</u>	<u>17,027</u>	<u>17,848</u>
	<b>Total non-current assets</b>	<b>1,768</b>	<b>1,185</b>	<b>17,027</b>	<b>17,848</b>
	<b>Current assets</b>				
	<b>Inventories</b>				
	Finished goods and goods for resale	13,745	13,706	0	0
		<u>13,745</u>	<u>13,706</u>	<u>0</u>	<u>0</u>
	<b>Receivables</b>				
	Trade receivables	21,524	20,854	0	0
	Receivables from subsidiaries	0	0	5,323	3,396
	Corporation tax	31	26	75	51
	Other receivables	535	734	14	13
11	Deferred tax asset	70	143	0	0
	Prepayments	527	869	92	82
		<u>22,687</u>	<u>22,626</u>	<u>5,504</u>	<u>3,542</u>
	<b>Cash at bank and in hand</b>	<b>211</b>	<b>604</b>	<b>0</b>	<b>0</b>
	<b>Total current assets</b>	<b>36,643</b>	<b>36,936</b>	<b>5,504</b>	<b>3,542</b>
	<b>TOTAL ASSETS</b>	<b>38,411</b>	<b>38,121</b>	<b>22,531</b>	<b>21,390</b>

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Balance sheet

Note	EUR'000	Consolidated		Parent company	
		2016	2015	2016	2015
		<b>EQUITY AND LIABILITIES</b>			
		<b>Equity</b>			
12	Share capital	796	796	796	796
	Reserve for net revaluation under the equity method	0	0	6,832	7,653
	Retained earnings	11,467	11,193	4,635	3,540
	Proposed dividends	1,200	1,500	1,200	1,500
	<b>Total equity</b>	<b>13,463</b>	<b>13,489</b>	<b>13,463</b>	<b>13,489</b>
	<b>Provisions</b>				
13	Deferred tax	969	1,033	0	0
	<b>Total provisions</b>	<b>969</b>	<b>1,033</b>	<b>0</b>	<b>0</b>
	<b>Liabilities other than provisions</b>				
14	<b>Non-current liabilities other than provisions</b>				
	Leasing	0	0	0	0
	Other payables	314	544	314	544
		<b>314</b>	<b>544</b>	<b>314</b>	<b>544</b>
	<b>Current liabilities other than provisions</b>				
14	Current portion of non-current liabilities other than provisions	209	233	209	218
	Bank loans and overdrafts	8,543	10,978	8,475	7,139
	Trade payables	6,281	4,122	69	0
	Payables to subsidiaries	0	0	0	0
	Corporation tax	49	245	0	0
	Other payables	8,583	7,477	1	0
		<b>23,665</b>	<b>23,055</b>	<b>8,754</b>	<b>7,357</b>
	<b>Total liabilities other than provisions</b>	<b>23,979</b>	<b>23,599</b>	<b>9,068</b>	<b>7,901</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>38,411</b>	<b>38,121</b>	<b>22,531</b>	<b>21,390</b>

- 1 Accounting policies
- 15 Contractual obligations and contingencies etc.
- 16 Collateral
- 17 Related party disclosures

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Statement of changes in equity

		Consolidated			
Note	EUR'000	Share capital	Retained earnings	Proposed dividends	Total
	Equity at 1 January 2015	796	9,645	750	11,191
	Dividends paid	0	0	-750	-750
	Transferred; see profit appropriation	0	1,479	1,500	2,979
	Currency translation adjustments, foreign subsidiaries	0	37	0	37
	Value adjustments of hedging instruments at 31 December	0	32	0	32
	<b>Equity at 1 January 2016</b>	<b>796</b>	<b>11,193</b>	<b>1,500</b>	<b>13,489</b>
	Adjustment, previous year	0	-13	0	-13
	Dividends paid	0	0	-1,500	-1,500
	Transferred; see profit appropriation	0	914	700	1,614
	Currency translation adjustments, foreign subsidiaries	0	-40	0	-40
	Value adjustments of hedging instruments at 31 December	0	-87	0	-87
	<b>Equity at 31 December 2016</b>	<b>796</b>	<b>11,967</b>	<b>700</b>	<b>13,463</b>

		Parent company				
	EUR'000	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividends	Total
	Equity at 1 January 2015	796	4,563	5,082	750	11,191
	Dividends paid	0	0	0	-750	-750
20	Transferred; see profit appropriation	0	3,090	-1,611	1,500	2,979
	Currency translation adjustments, foreign subsidiaries	0	0	37	0	37
	Value adjustments of hedging instruments at 31 December	0	0	32	0	32
	<b>Equity at 1 January 2016</b>	<b>796</b>	<b>7,653</b>	<b>3,540</b>	<b>1,500</b>	<b>13,489</b>
	Adjustment, previous year	0	0	-13	0	-13
	Dividends paid	0	0	0	-1,500	-1,500
20	Transferred; see profit appropriation	0	-821	1,235	1,200	1,614
	Currency translation adjustments, foreign subsidiaries	0	0	-40	0	-40
	Value adjustments of hedging instruments at 31 December	0	0	-87	0	-87
	<b>Equity at 31 December 2016</b>	<b>796</b>	<b>6,832</b>	<b>4,635</b>	<b>1,200</b>	<b>13,463</b>

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Cash flow statement

Note	EUR'000	Consolidated	
		2016	2015
	Operating profit	1,997	4,248
18	Adjustments of non-cash operating items	905	503
	Cash generated from operations before changes in working capital	2,902	4,751
19	Changes in working capital	3,097	3,095
	Cash generated from operations (operating activities)	5,999	7,846
	Interest paid/received	-548	-542
	Cash generated from operations (ordinary activities)	5,451	7,304
	Corporation tax paid	-698	-590
	<b>Cash flow from operating activities</b>	<b>4,753</b>	<b>6,714</b>
	Acquisition of intangible assets	-579	-66
	Acquisition of subsidiary	0	-1,746
	Acquisition of property, plant and equipment	-378	-191
	Disposal of property, plant and equipment	0	47
	<b>Cash flow from investing activities</b>	<b>-957</b>	<b>-1,956</b>
	New bank loans and overdrafts	0	1,730
	Change in bank loans and overdrafts	-2,450	-5,253
	Repayment of non-current liabilities	-239	0
	Dividend paid out	-1,500	-750
	<b>Cash flow from financing activities</b>	<b>-4,189</b>	<b>-4,273</b>
	<b>Net cash flow from operating, investing and financing activities</b>	<b>-393</b>	<b>485</b>
	Cash at 1 January	604	119
	<b>Cash at 31 December</b>	<b>211</b>	<b>604</b>

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

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Despec Nordic Holding A/S for 2016 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas: Yearly reassessment of residual values of property, plant and equipment

In future, residual values of property, plant and equipment are subject to annual reassessment.. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions<sup>1</sup> with future effect only as a change in accounting estimates with no impact on equity

None of the above changes affects the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

#### Consolidated financial statements

The consolidated financial statements comprise the parent company, Despec Nordic Holding A/S, and subsidiaries in which Despec Nordic Holding A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

#### Foreign currency translation

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

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

#### Derivatives

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Changes in the fair value of derivative financial instruments used to hedge net investments in independent foreign subsidiaries or associates are recognised directly in equity.

#### Income statement

##### Revenue

Income from the sale of goods for resale is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

##### Other operating income

Other operating income comprises items secondary to the activities of the enterprises, including intercompany fees.

<sup>1</sup> The executive order on transitional provisions based in connection with the application of certain provisions in the Danish Financial Statements Act, as amended by act no. 738 of 1 June 2015 regarding amendments to the Danish Financial Statements Act and a number of other acts.



## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Income statement

###### Cost of goods sold

Cost of goods sold comprises direct cost of goods sold, shipping costs and received discounts from suppliers.

###### Other external costs

Other external costs comprise costs such as rent, office expenses, external counselling and similar.

###### Profits/losses from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

###### Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

###### Tax on profit for the year

Despec Nordic Holding A/S is covered by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements and up to the date on which they exit the consolidation.

V4M Invest ApS is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year – including changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

##### Balance sheet

###### Intangible assets

###### *Goodwill*

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised on a straight-line basis over a maximum amortisation period of 10 years.

###### *Software*

Software are measured at cost and amortised on a straight line basis over 3 years based on its estimated life cycle.

###### *Licences*

Licenses are measured at cost and amortised on a straight line basis over the license period with a maximum of 8 years.

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Property, plant and equipment

IT-hardware, fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

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

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

IT-hardware	3-5 years
Fixtures and fittings, tools and equipment	3 years
Leasehold improvements	3 years

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

##### Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingencies, etc.

##### Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured under the equity method.

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Investments in subsidiaries and associates with negative net asset values are measured at 0 EUR, and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost.

##### Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Inventories

Inventories are measured at cost in accordance with the average cost method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

##### Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made based on an individual assessment.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's and the Group's credit risk management policy. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

##### Equity

###### *Reserve for net revaluation according to the equity method*

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method. The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

###### *Dividends*

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under current liabilities.

##### Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax, receivable" or "Corporation tax, payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

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 in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.



## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

##### Cash flow statement

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

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

##### Cash flow from operating activities

Cash flow from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

##### Cash flow from investing activities

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

##### Cash flow from financing activities

Cash flow from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

#### 2 Segment information

It is the assessment of the Management that the groups markets do not differ from each other despite their geographical location. Based on this, and in accordance with the Danish Financial Statements Act § 96, no segment information is disclosed.

#### 3 Fees paid to auditors appointed at the annual general meeting

Total fees to EY

Fee regarding statutory audit  
Other assistance

	Consolidated		Parent company	
	2016	2015	2016	2015
EUR'000				
Total fees to EY	71	108	14	14
Fee regarding statutory audit	64	63	14	14
Other assistance	7	45	0	0
	71	108	14	14

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

EUR'000	Consolidated		Parent company	
	2016	2015	2016	2015
<b>4 Staff costs and incentive programmes</b>				
Wages and salaries	8,234	8,280	0	0
Pensions	677	724	0	0
Other social security costs	1,801	1,501	0	0
	<u>10,712</u>	<u>10,505</u>	<u>0</u>	<u>0</u>
Average number of full-time employees	<u>161</u>	<u>167</u>	<u>0</u>	<u>0</u>
In accordance with the Danish Financial Statements Act § 98b remuneration of the parent company Executive Board and Board of Directors are not disclosed.				
<b>5 Financial income</b>				
Interest income from subsidiaries	0	0	178	247
	<u>0</u>	<u>0</u>	<u>178</u>	<u>247</u>
<b>6 Financial expenses</b>				
Interest expense to subsidiaries	0	3	5	16
	<u>0</u>	<u>3</u>	<u>5</u>	<u>16</u>
<b>7 Tax on the profit for the year</b>				
Current tax for the year	492	835	-30	-28
Adjustment of deferred tax	45	162	0	0
Adjustment regarding previous years	6	-4	0	0
	<u>543</u>	<u>993</u>	<u>-30</u>	<u>-28</u>
<b>8 Intangible assets</b>				
Consolidated				
EUR'000	Goodwill	Software	Licenses	Total
Cost at 1 January 2016	2,447	359	650	3,456
Currency adjustment	-7	0	0	-7
Additions	0	579	0	579
Disposals	0	0	0	0
Cost at 31 December 2016	<u>2,440</u>	<u>938</u>	<u>650</u>	<u>4,028</u>
Amortisation at 1 January 2016	1,625	293	650	2,568
Currency adjustment	-2	0	0	-2
Amortisation during the year	173	49	0	222
Disposals	0	0	0	0
Amortisation at 31 December 2016	<u>1,796</u>	<u>342</u>	<u>650</u>	<u>2,788</u>
Carrying amount at 31 December 2016	<u>644</u>	<u>596</u>	<u>0</u>	<u>1,240</u>

The parent company has no intangible assets (2015: nil).



## Cosolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 9 Property, plant and equipment

EUR'000	Consolidated		
	IT-equipment	Fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 January 2016	1,000	789	229
Additions	2	376	0
Disposals	0	-69	0
Cost at 31 December 2016	1,002	1,096	229
Amortisation at 1 January 2016	977	540	204
Amortisation during the year	17	119	11
Disposals	0	-69	0
Amortisation at 31 December 2016	994	590	215
<b>Carrying amount at 31 December 2016</b>	<b>8</b>	<b>506</b>	<b>14</b>
Property, plant and equipment include finance leases with a carrying amount totalling	0	0	0

The parent company has no property, plant and equipment (2015: nil)

EUR'000	2016	2015
<b>10 Investments in subsidiaries</b>		
Cost at 1 January	10,195	7,703
Acquisition	0	2,492
Cost at 31 December	10,195	10,195
Value adjustments at 1 January	7,653	4,563
Profit for the year	1,719	3,067
Dividends received	-2,400	0
Other adjustments	-140	23
Value adjustments at 31 December	6,832	7,653
<b>Carrying amount at 31 December</b>	<b>17,027</b>	<b>17,848</b>

Name	Registered office	Voting rights and ownership
Despec Denmark A/S	Allerød, Denmark	100 %
Despec Sweden AB	Stockholm, Sweden	100 %
Despec Norway AS	Sem, Norway	100 %
Despec Finland Oy	Espoo, Finland	100 %
AB Thure Büngrer	Alvesta, Sweden	100 %

All subsidiaries are considered separate entities.

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

EUR '000	Consolidated		Parent company	
	2016	2015	2016	2015
<b>11 Deferred tax (asset)</b>				
Deferred tax at 1 January	143	253	0	0
Adjustment of deferred tax	-73	-110	0	0
<b>Deferred tax at 31 December</b>	<b>70</b>	<b>143</b>	<b>0</b>	<b>0</b>
Deferred tax relates to:				
Intangible assets	-21	4	0	0
Property, plant and equipment	13	19	0	0
Current assets	78	117	0	0
Liabilities other than provisions	0	3	0	0
	<b>70</b>	<b>143</b>	<b>0</b>	<b>0</b>
<b>12 Share capital</b>				
The share capital comprises 7,960 A shares of EUR 100 thousand each. The share capital has remained unchanged for the last five years.				
EUR '000	Consolidated		Parent company	
	2016	2015	2016	2015
<b>13 Deferred tax (liability)</b>				
Deferred tax at 1 January	1,033	677	0	0
Addition from acquisition	0	278	0	0
Exchange rate adjustment	-36	26	0	0
Adjustment of deferred tax	-28	52	0	0
<b>Deferred tax at 31 December</b>	<b>969</b>	<b>1,033</b>	<b>0</b>	<b>0</b>
Deferred tax relates to:				
Property, plant and equipment	2	1	0	0
Current assets	4	12	0	0
Liabilities other than provisions	963	1,020	0	0
	<b>969</b>	<b>1,033</b>	<b>0</b>	<b>0</b>
<b>14 Non-current liabilities</b>				
Leasing	0	15	0	0
Other payables	523	762	523	762
	<b>523</b>	<b>777</b>	<b>523</b>	<b>762</b>
The liabilities are due within:				
> 1 year	209	233	209	218
1-5 year	314	544	314	544
5 > year	0	0	0	0
	<b>523</b>	<b>777</b>	<b>523</b>	<b>762</b>



## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

EUR '000	Consolidated		Parent company	
	2016	2015	2016	2015
<b>15 Contractual obligations and contingencies, etc.</b>				
Rent obligations	2,304	801	0	0
Other operating leases	132	159	0	0
	<u>2,436</u>	<u>960</u>	<u>0</u>	<u>0</u>

### 16 Collateral

As guarantee for the Groups cash pool in the parent company the parent has provided the following collaterals:

- Floating charge of EUR 1,009 thousand in Despec Denmark A/S
- Floating charge of EUR 1,235 thousand in Despec Sweden A/S
- Floating charge of EUR 3,060 thousand in Despec Norway A/S
- Floating charge of EUR 1,727 thousand in AB Thure Bünger
- Surety ship from all subsidiaries

### 17 Related party disclosures

Despec Nordic Holding A/S' related parties comprise the following:

#### Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Neos Invest A/S, Vassingerødvej 25, 3540 Lyngø

The ultimate parent company is V4M Invest ApS, Falkevej 6, 2970 Hørsholm

EUR'000	Consolidated	
	2016	2015
<b>18 Adjustments of non-cash operating items</b>		
Depreciations and amortisations	369	410
Currency gains and losses	708	266
Other adjustments	-172	-173
<b>Carrying amount at 31 December</b>	<u>943</u>	<u>503</u>
<b>19 Changes in working capital</b>		
Change in inventories	-39	3,819
Change in receivables	-129	2,449
Change in trade payables and other payables	3,265	-3,173
<b>Carrying amount at 31 December</b>	<u>3,097</u>	<u>3,095</u>
<b>20 Profit appropriation</b>		
Reserve for net revaluation under the equity method	-821	3,090
Retained earnings	1,235	-1,611
Proposed dividends	1,200	1,500
<b>Carrying amount at 31 December</b>	<u>1,614</u>	<u>2,979</u>