EET GROUP

EET A/S

Bregnerødvej 133D, 3460 Birkerød

CVR no. 36 53 53 26

Annual report 2017

Approved at the Company's annual general meeting on 25 April 2018

Chairman:

....

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of EET A/S for the financial year 1 January - 31 December 2017.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements according to 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 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2017.

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 and the results of the Group's and the Parent Company's operations and financial position.

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

Birkerød, 25 April 2018
Executive Board:

Søren Drewsen CEO	Jan Holmetoft Iversen CFO

Board of Directors:

Bo Rygaard Chairman	John Thomas	Lars Denkov
Per Ove Kogut	Thomas Broe-Andersen	

Independent auditor's report

To the shareholders of EET A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of EET A/S for the financial year 1 January - 31 December 2017, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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.

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 assurance conclusion thereon.

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

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

Based on our procedures, 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.

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 International Financial Reporting Standards as adopted by the EU and additional requirements of 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.

Independent auditor's report

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.

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 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.

Copenhagen, 25 April 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Claus Kronbak	Ole Becker
State Authorised	State Authorised
Public Accountant	Public Accountant
MNE no.: mne28675	MNE no.: mne33732

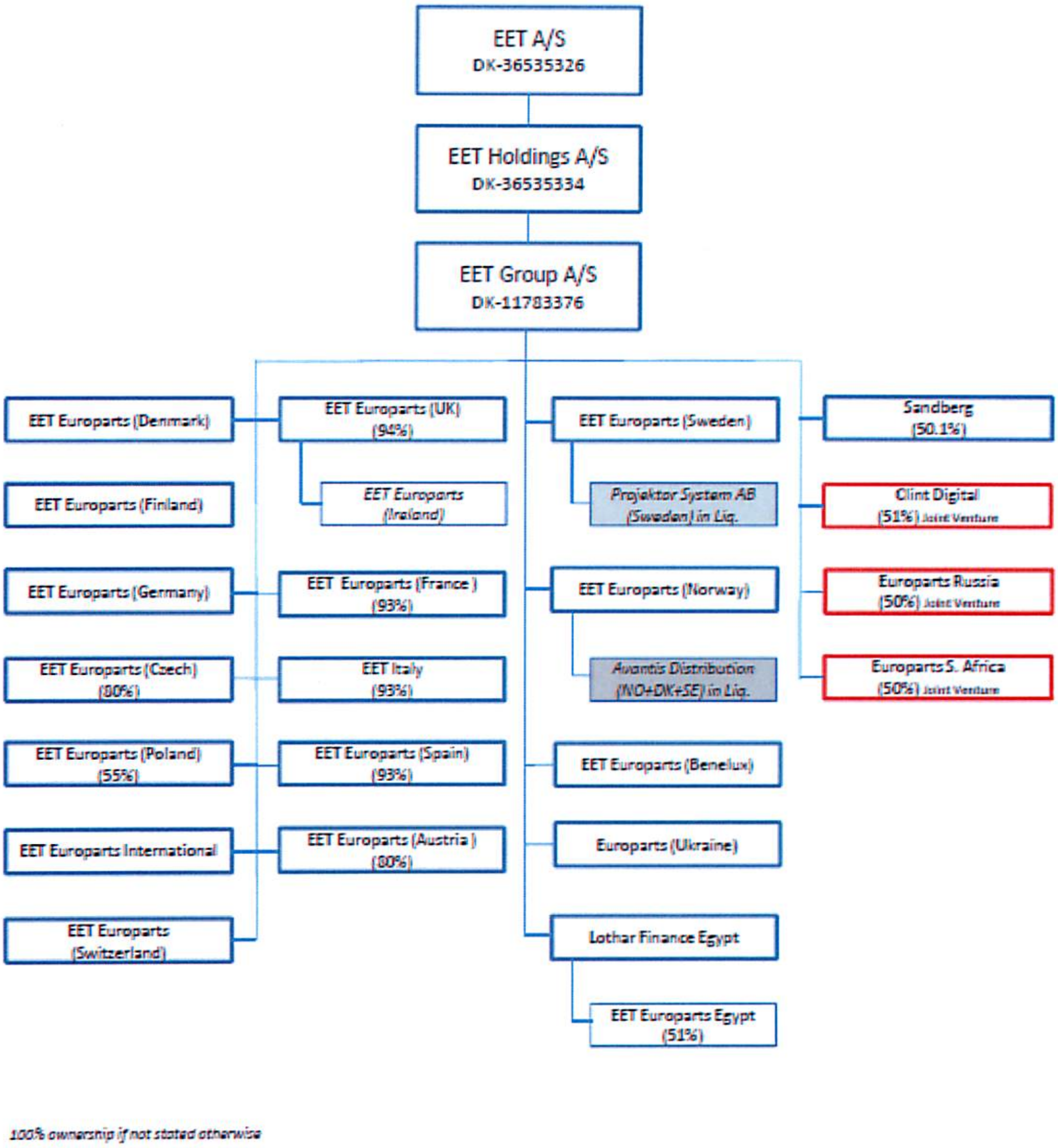
Management's review

Company details

Name	EET A/S
Address, zip code, city	Bregnerødvej 133 D, DK-3460 Birkerød
CVR no.	36 53 53 26
Established	6 February 2015
Registered office	Birkerød, Denmark
Financial year	1 January - 31 December
Website	www.eetgroup.com
E-mail	info@eeteuroparts.dk
Telephone	+45 45 82 19 19
Board of Directors	Bo Rygaard, Chairman John Thomas Lars Denkov Per Ove Kogut Thomas Broe-Andersen
Executive Board	Søren Drewsen, CEO Jan Holmetoft Iversen, CFO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, DK-2000 Frederiksberg

Management's review

Group chart



Red entities are joint ventures and light blue are entities without commercial activity.

Management's review

Financial highlights for the Group

DKK'000	2017	2016	2015 11 months*
Key figures			
Revenue	2,656,060	2,242,464	1,867,889
Gross profit	458,666	423,869	319,863
Operating profit before depreciation, amortisation and acquisition-related costs	165,179	142,476	120,672
Ordinary operating profit before special items	66,636	48,665	55,232
Special items	-15,171	-7,837	-15,928
Ordinary operating profit	51,465	40,828	39,304
Financial income and expense, net	-51,425	-61,439	-38,689
Loss for the year	-14,943	-25,776	-7,029
Total assets	1,924,740	1,752,764	1,746,870
Additions in property, plant and equipment	13,839	7,621	27,434
Equity	431,808	448,594	490,473
Cash flows from operating activities	-88,924	51,290	-10,369
Net cash flows from investing activities	-101,957	-70,357	-944,881
Cash flows from financing activities	49,043	12,676	502,792
Total cash flows	-141,838	-6,391	-452,458
Financial ratios			
Gross margin	17.2 %	18.9 %	17.1 %
Operating margin	2.5%	2.2 %	3.0 %
Solvency ratio	22.4%	25.6 %	28.0 %
Average number of full-time employees	494	527	531

*) Including 9 months of operations.

The financial ratios have been prepared in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

Management's review

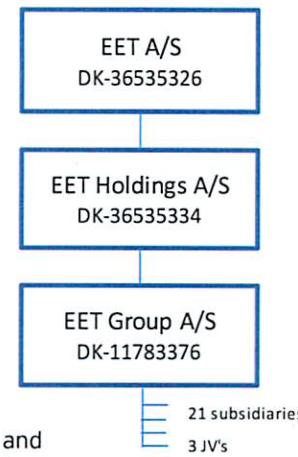
Operating review

Principal activities of the Group

The objective of EET A/S is to invest in companies carrying on activities within development, sale and marketing of IT technology products in Europe. EET A/S is the ultimate Parent Company of the EET Group.

EET A/S' major shareholders are FSN Capital, a leading Nordic private equity investment company, and Danica Pension, one of Denmark's largest pension funds with pension assets totalling more than DKK 400 billion. Danica Pension is wholly-owned by the largest Danish bank, Danske Bank A/S.

EET A/S' subsidiary, EET Group A/S, which carries out the main operations of the Group, enjoys a leading position in the European market. EET Group is present in a total of 20 countries having more than 27 local sales offices which are marketed under the name EET Europarts, all focusing on the following product areas:



- IT components and supplies for computers, servers and printers
- IT components and supplies for mobile devices
- Video surveillance and security products
- Consumer electronics
- Professional Audio Video equipment & Digital Signage products
- Point of Sale (POS) & AutoID equipment
- Network & Storage

EET markets a broad range of leading trademarks, including HP, IBM, Zebra, Honeywell, Lexmark, Toshiba, Acer, Dell, NEC, Axis, Epson, Samsung, Ernitec, NEC, Sony, B&O Play, and Kensington. EET markets more than 900 trademarks and more than 1,200,000 item numbers.

Development in activities and financial position

For 2017, EET A/S reported an operating profit before depreciation, amortisation and special items of DKK 165 million compared to DKK 142 million in 2016. The results after depreciation and before amortisation (EBITA) were DKK 157 million and are in line with the 2017-outlook mentioned in the annual report for 2016 (DKK 150-170 million).

The ordinary operating profit after amortisation is DKK 66 million compared to DKK 49 million in 2016. The net results are a loss of 15 million which has been negatively impacted by DKK 15 million of Special Items, of which DKK 7 million is costs related to write-downs on investments in joint ventures and loss on divestments/close-down of activities and DKK 8 million in restructuring and acquisition related costs attributable to acquisitions made during 2017.

At 31 December 2017, the Group's capital resources totalled DKK 174 million, including cash and unused credit facilities.

The results are satisfactory.

Acquisitions and disposals

In 2017, seven acquisitions were completed with the aim of strengthening the Group's future business development:

- In March 2017, the Swedish distributor of Professional AV products, *Projektor System Salem AB*, was acquired. The acquisition was carried out by the EET Group's subsidiary, EET Europarts Sweden AB. This acquisition was further backed up by the acquisition of another Danish distributor within the same area, *DS Display A/S*, which was also closed in March 2017.
- In June 2017, the Group's subsidiary in France, EET Europarts SAS, acquired the activities from *Heimdal*, a local distributor of POS & Auto-ID product in France and in August the French distributor of Professional AV products, *A2L*, was acquired
- Also in June 2017, the Group's subsidiary in the UK, EET Europarts UK Ltd, acquired *DED Ltd*, a UK-based distributor of products within the POS & Auto-ID segment.

Management's review

- In August 2017, the Group entered into the Irish market via an acquisition of the Irish distributor *Fusion Technologies*. The company was acquired by EET Group's subsidiary in the UK, EET Europarts UK Ltd, and operates today under the name EET Europarts (Ireland) Ltd.
- In October 2017, the Norwegian distributor of Network & Storage products, *Avantis AS*, having subsidiaries in Denmark and Sweden, was acquired with the purpose of strengthening the presence on the Nordic market.
- During 2017, it was decided to focus entirely on activities within Europe and to divest shareholding in subsidiaries and joint ventures outside Europe. As a consequence hereof, a write down of investments in Joint Ventures of DKK 4 million has been expensed under Special Items together with costs amounting to DKK 2 million related to the write downs connected to the closure of the Group's 51% owned subsidiary in Egypt.

The EET Group has completed 45 acquisitions during the past 19 years and for 2018, it is expected that further acquisitions will be made in order to strengthen the Group's product offerings and competition in the market etc.

Capital structure and dividend

The Board of Directors regularly assesses whether the Group's capital structure is in line with the interests of the Group and its stakeholders. The overall objective is to ensure a capital structure that supports the long-term profitable growth.

EET A/S' capital is divided into 22,271,000 shares with a nominel value of DKK 1. FSN Capital has control over the Company through its parent company, FSN Capital GP IV Limited.

The Board of Directors proposes to the Annual General Meeting that no dividend is to be declared in respect of the financial year 2017 and the consolidated loss of DKK 12 million to be transferred to retained earnings.

Risks

General

As a result of its operations and financing, the Group is exposed to financial risks, including market risks (currency, interest rate and credit risks), which may affect the Group's results of operations and financial position.

The Group's risks are managed centrally in the Group's finance function in accordance with the principles adopted and set out by the Board of Directors. It is the Group's policy not to engage in active speculation in financial risks. Thus, the Group's financial management is aimed at managing the financial risks directly attributable to the Group's operations and financing.

Currency risks

The Group's foreign entities are not immediately affected by exchange rate fluctuations, as income and costs are settled in local currencies. Activities carried out by Danish group entities are affected by exchange rate fluctuations, as part of the sales and goods purchased are settled in foreign currency, whereas costs, including wages and salaries, are settled in Danish kroner.

Moreover, the Group is affected by changes in exchange rates, as the foreign subsidiaries' results at year-end are translated into Danish kroner based on average exchange rates.

The Group's currency risks are primarily hedged by means of distribution of income and costs in the same currency and by means of derivative financial instruments. In accordance with policies adopted by the Board of Directors, risks related to recognised financial assets and liabilities are hedged.

Interest rate risks

In accordance with group policies, interest rate risks related to the Group's loans are hedged. Hedging is primarily made by means of swaps under which floating-rate loans are converted to fixed-rate loans.

Management's review

Credit risks

The Group has no significant risks relating to one individual customer or business partner. The Group's policy in respect of credit risks implies that all major customers and other business partners are credit-rated and insured (if possible) on an ongoing basis.

Other compulsory disclosures

CSR/ESG impacts through the value chain

A substantial part of EET's business is to provide spare parts for electronic devices which contribute to extending the lifespan of the devices themselves, thereby contributing to a more sustainable and environmentally friendly approach to the rapid proliferation of technology hardware. We need to be acutely aware of the potential impact of dual use of our products for unethical purposes, of the conditions under which the products we distribute are produced and of potential impacts on end-user safety.

Electronic waste presents an environmental impact through the value chain that must be managed through efficient stock management, clear supplier requirements and strict guidelines and processes for handling and disposing of electronic waste. Environmental impacts in the production and raw material sourcing of products are also important parts of our footprint.

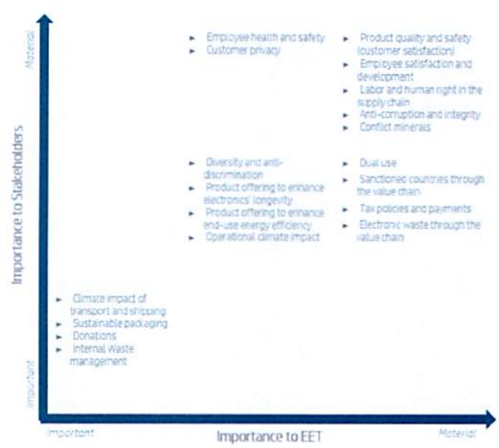
ESG risks and opportunities

Innovation in electronic devices move quickly, and it has become commonplace to replace electronic devices frequently. These practices lead to a high amount of electronic waste that is neither being reused nor recycled.

In EET we experience a growing need among customers and end-users to maintain and update electronic devices which is a significant opportunity for us. Positioning our business to meet this growing need is at the core of our business model.

However, the production of electronic parts and devices may involve negative environmental impacts or poor labor conditions, both of which we need to limit as best we can.

The products we distribute might also be used for unethical purposes or by people in countries that are under sanctions.



Finally, as in all businesses, corruption and unethical conduct may be present in parts of our value chain. We deal with many suppliers and customers across the globe and as good corporate citizens need to ensure that business is conducted with the highest level of integrity and ethical standards

Management's review

Group ESG performance 2017 and plan for 2018

KEY ESG GOALS	EFFORTS 2017	PERFORMANCE	AMBITIONS 2018
1 - Responsible Supply Chain	We work continuously to ensure that our suppliers comply with EET Group's Ethical Guidelines by focusing on responsible supply chain management and ensuring high traceability of our products We have updated definitions, descriptions and implementation of process for assessing suppliers with regard to CR-issues, including e.g. supplier self-assessments and physical on-site audits Ensuring that traceability (e.g. information on supplier's supplier) are incorporated in the system Conducted a risk assessment of current suppliers in order to define high-risk suppliers	Number of on site factory audits carried out: 3	KPI's to be redefined on the basis of redefined process for CR assessment of suppliers. Number of on-site factory audit visits: minimum 4
2 - Responsible Business Operations: People and Integrity	We work continuously to ensure that all our employees comply with EET's Ethical Guidelines, which in 2017 have been reviewed and updated Our employees are our most important assets and we will strive to ensure a safe, healthy and developing working environment. In 2017, we have defined and described accounting practice regarding KPI's related to employees (sickness absence, employee satisfaction NPS etc.) We will always comply with national and international tax and trade legislation. We have implemented Global Tax compliance procedure in close cooperation with our worldwide covering auditors	No indicators reported	Review EET HR policy and develop a plan for implementation of EET HR policy in all EET countries Measure employee satisfaction (ENPS) Set up targets to improve on employee satisfaction Conduct training of employees in EET Ethical Guidelines Review tax policies if needed

Management's review

Group ESG performance 2017 and plan for 2018

KEY ESG GOALS	EFFORTS 2017	PERFORMANCE	AMBITIONS 2018
3 - Responsible Business Operations: Environmental Impacts	We continuously work to improve our energy efficiency and reduce our environmental impact. In 2017, we have continued our efforts to reduce waste and energy consumption through meticulous waste separation of scrapped products and use of compactors to reduce environmental impact of disposals	No indicators reported	Continue current procedures Define and measure environmental impact of efforts from these procedures
4 - Responsibility Towards Customers and Consumers	We continuously work to ensure a high level of customer satisfaction and provide safe and functional products to the end-consumers, and in 2017, we have defined and described accounting practices regarding KPI's related to customer satisfaction and regular measures on Net Promoter Score We have prepared a structured digital platform for documenting compliance regarding appropriate use of our products avoiding risk of dual use and sales to sanctioned countries We will ensure a high level of consumer data privacy. In 2017, we have initiated the preparation for compliancy with the new EU General Data Protection Regulation (GDPR) We have introduced energy saving products like thermostats and lightening solutions, which are optimizing the energy consumption in buildings	No indicators reported	Measure customer satisfaction (CNPS) Ensure GDPR compliancy as of effect date end of May Define and implement process for ensuring data privacy with regard to data in refurbished products Implement both customer and vendor onboarding program to avoid the risk of dual use and/or products indirectly sold to sanctioned countries

Management's review

Board of directors

The Company aims to have a Board of Directors that can perform its operations in terms of strategy, management and control in an efficient manner.

The Company will seek to appoint candidates with the best profiles and qualifications, as this is considered essential to the Company. In this connection, gender is considered when appointing candidates to the Board of Directors. However, recruitment criteria such as professional qualifications, industry experience, educational background, etc. are also taken into account, as it is essential that all members of the Board of Directors possess the necessary competences.

The breakdown by gender of the members of the Board of Directors appointed by the annual general meeting has so far been: 0 females and 5 males.

Target to be met by the annual general meeting of shareholders in 2020 at the latest: 1 female and 4 males. EET did not achieve this aim in 2017, as no new election of board members except from the former CEO replaced one of the former board members.

Other management levels

The current breakdown by gender at other management levels in Denmark is 40% females and 60% males.

The Company aims to create a good and diverse workplace that promotes women's and men's equal career opportunities, for instance through competency development to increase the share of the under-represented gender at other management levels in Denmark.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of these financial statements.

Outlook

Continued growth in the Group's results is expected for 2018, and the Group will in 2018 continue its focus on expansion both through acquisitions and not least by continuous strengthening of the product portfolio. EBITA is expected to be DKK 170-190 million and results before taxes are expected to be positive in 2018.

Consolidated income statement for the period 1 January - 31 December

Note	DKK'000	2017	2016
	Revenue	2,656,060	2,242,464
	Cost of goods sold	-2,125,023	-1,754,649
	Product profit	531,037	487,815
6	Other expenses	-72,371	-63,946
	Gross profit	458,666	423,869
5	Staff costs	-293,487	-281,393
	Operating profit before depreciation, amortisation and special items	165,179	142,476
13	Depreciation	-8,498	-7,587
12	Amortisation	-90,045	-86,224
	Operating profit before special items	66,636	48,665
7	Special items	-15,171	-7,837
	Operating profit	51,465	40,828
24	Share of profit or loss in joint ventures accounted for under the equity method	-942	-157
8	Finance income	7,330	927
9	Finance costs	-58,755	-62,366
	Profit before tax	-902	-20,768
10	Income tax expenses	-14,041	-5,008
	Loss for the year	-14,943	-25,776

		2017	2016
	Attributable to:		
	Non-controlling interests	2,112	3,119
	Shareholders in EET A/S	-17,055	-28,895
	Loss for the year	-14,943	-25,776

Consolidated statement of comprehensive income for the period 1 January - 31 December

Note	DKK'000	2017	2016
	Consolidated loss for the year	-14,943	-25,776
	Value adjustments of cash flow hedging instruments on equity to the income statement	893	1,117
10	Income tax effect to the income statement	-197	-246
	Value adjustments of cash flow hedging instruments on equity	-1,709	1,098
10	Income tax effect on equity	376	-241
		-637	1,728
	Exchange differences on translation of foreign operations	-5,367	-7,164
	Items that may be reclassified to the consolidated income statement	-6,004	-5,436
	Total comprehensive income, net of tax	-20,947	-31,212
	Attributable to:		
	Non-controlling interest	2,204	-809
	Shareholders in EET A/S	-23,151	-30,403
	Total comprehensive income, net of tax	-20,947	-31,212

Consolidated statement of financial position at 31 December

Note	DKK'000	2017	2016
	ASSETS		
	Non-current assets		
12	Goodwill	642,080	600,219
12	Technology, etc.	115,089	165,678
12	Customer relationships	343,837	341,873
12	Brand	24,774	28,180
13	Property, plant and equipment	40,429	35,403
11	Deferred tax assets	7,544	9,578
23	Investments in joint ventures	0	2,204
	Deposits	8,574	8,656
	Total non-current assets	1,182,327	1,191,791
	Current assets		
14	Inventories	245,084	160,463
15	Trade receivables	439,898	329,390
	Income tax receivable	5,166	3,035
	Other receivables	19,666	11,774
	Prepayments	6,124	5,367
16	Cash	26,475	50,944
	Total current assets	742,413	560,973
	TOTAL ASSETS	1,924,740	1,752,764
	EQUITY AND LIABILITIES		
	Equity		
	Equity attributable to shareholders in EET A/S	422,687	439,338
	Non-controlling interests	9,121	9,256
	Total equity	431,808	448,594
	Liabilities		
	Non-current liabilities		
20	Interest-bearing loans and borrowings	769,392	722,992
19	Pensions	6,162	4,459
11	Deferred tax liabilities	108,196	118,969
	Total non-current liabilities	883,750	846,420
	Current liabilities		
20	Interest-bearing loans and borrowings	163,890	40,228
17	Trade payables	271,402	259,025
18	Provisions	2,000	2,000
	Income tax payable	21,318	20,110
	Other payables	148,912	134,702
	Prepayments from customers	1,660	1,685
	Total current liabilities	609,182	457,750
	Total liabilities	1,492,932	1,304,170
	TOTAL EQUITY AND LIABILITIES	1,924,740	1,752,764

Consolidated cash flow statement for the period 1 January - 31 December

Note	DKK'000	2017	2016
	Operating activities		
	Operating profit	51,465	40,828
	Adjustments to reconcile profit before tax to net cash flows:		
13	Depreciation	8,498	7,603
12	Amortisation	90,045	86,224
	Other non-cash adjustments	-1,322	-2.966
	Working capital adjustments		
	Change in trade and other receivables	-73,294	-17,986
	Change in inventories	-63,099	8,872
	Change in trade and other payables	-20,576	-2,687
		-8,283	119,888
	Interest received	284	524
	Interest paid	-46,676	-45,958
	Income tax paid	-34,249	-23,164
	Net cash flows from operating activities	-88,924	51,290
	Investing activities		
	Acquisition and disposal of deposits, net	219	-456
	Purchase of property, plant and equipment	-12,281	-11,253
	Acquisition of activities	-761	-2,603
27	Acquisition of subsidiaries	-90,687	-58,583
	Disposal of property, plant and equipment	1,553	0
	Disposal of subsidiaries	0	2,538
	Net cash flows from investing activities	-101,957	-70,357
	Financing activities		
	Proceeds from long-term borrowings	86,680	60,732
	Repayment of borrowings	-41,927	-47,041
	Transactions with shareholders		
	Proceeds from the issue of share capital	6,500	2,015
	Transactions with minorities		
	Dividend to non-controlling interests	-2,210	-3,030
	Net cash flows from financing activities	49,043	12,676
	Net increase in cash	-141,838	-6,391
	Cash and cash equivalents at 1 January	49,649	56,042
16	**Cash and cash equivalents at 31 December**	-92,189	49,651

Consolidated equity statement for the period 1 January - 31 December

	Share capital	Foreign currency trans-lation reserve	Cash flow hedge reserve	Retained earnings	Total	Non-con-trolling interests	Total equity
Equity at 1 January 2017	22,049	-7,538	-4,470	429,297	439,338	9,256	448,594
Loss for the year	-	0	0	-17,055	-17,055	2,112	-14,943
Other comprehensive income	-	-4,598	-637	-861	-6,096	92	-6,004
Total comprehensive income	0	-4,598	-637	-17,916	-23,151	2,204	-20,947
Transactions with shareholders							
Capital increase	222	0	0	6,278	6,500	0	6,500
Acquisition of subsidiary	-	0	0	0	0	-129	-129
Dividend paid	-	0	0	0	0	-2,210	-2,210
Total transactions with shareholders	222	0	0	6,278	6,500	-2,339	4,161
Equity at 31 December 2017	22,271	-12,136	-5.107	417.659	422.687	9,121	431,808

	Share capital	Foreign currency trans-lation reserve	Cash flow hedge reserve	Retained earnings	Total	Non-con-trolling interests	Total equity
Equity at 1 January 2016	21,950	-4,302	-6,198	455,441	466,891	23,582	490,473
Loss for the year	-	0	0	-28,895	-28,895	3,119	-25,776
Other comprehensive income	-	-3,236	1,728	0	-1,508	-3,928	-5,436
Total comprehensive income	-	-3,236	1,728	-28,895	-30,403	-809	-31.212
Transactions with shareholders							
Capital increase	99	0	0	1,916	2,015	0	2,015
Change of ownership interest with non-controlling interest	-	0	0	0	0	-10,487	-10,487
Other	-	0	0	835	835	0	835
Dividend paid	-	0	0	0	0	-3.030	-3,030
Total transactions with shareholders	99	0	0	2,751	2,850	-13,517	-10,667
Equity at 31 December 2016	22,049	-7,538	-4,470	429,297	439,338	9,256	448,594

Consolidated financial statements for the period 1 January - 31 December

Index to notes to the consolidated financial statements

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Corporate information

The Group is incorporated and domiciled in Denmark. The registered office is located in Birkerød.

2 Basis of preparation

The consolidated financial statements of EET A/S (the Group) are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements according to the Danish Financial Statements act.

The financial statements are prepared based on the standards and interpretations that are effective as of 31 December 2017. There have been no impact on recognition and measurement of the implementation of the standards and interpretations.

The consolidated income statement and the consolidated statement of financial positions seperately present items that are considered individiually significant or are required under the minimum presentation of IAS 1.

In determining whether an item is individually significant, EET considers both quantitative and qualitative factors. If the presentation or disclosure of an item is not decision-useful, the information is considered insignificant.

Explannatory disclosure notes related to the consolidated financial statements are presented for individually significant items. Where separate presentation of a line item is made sole due to minimum presentation requirements in IAS 1, no further disclosures are provided in respect of that line item.

The consolidated financial statements are presented in DKK, which is the Parent Company's functional currency and the presentation currency of the Group, and all values are rounded to the nearest thousand (DKK'000), except when otherwise indicated.

The Board of Directors considered and approved the 2017 EET A/S annual report on 25 April 2017. The annual report is submitted to the shareholders of EET A/S for approval at the annual general meeting on 25 April 2017.

3 Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 December 2017. Control is achieved when the Group is exposed, or is entitled, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or entitlement, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control and until the date the Group ceases to control the subsidiary.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Foreign currency translation

For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the primary currency used for the reporting entity's operations. Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency 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, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the end of the reporting period. The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or the exchange rate in the latest consolidated financial statements is recognised in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of entities with a functional currency other than the presentation currency of EET A/S (DKK), the income statement is translated at the exchange rates at the transaction date, and the statement of financial position items are translated at the exchange rates at the end of the reporting period. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange differences arising on translation of the opening balance of equity of foreign entities at the exchange rates at the end of the reporting period and on translation of the income statement from the exchange rates at the transaction date to the exchange rates at the end of the reporting period are recognised in other comprehensive income and attributed to a separate translation reserve in equity.

Foreign exchange adjustment of balances with foreign entities which are considered part of the investment in the entity is recognised in the consolidated financial statements in other comprehensive income if the balance is denominated in the functional currency of the parent or the foreign entity.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it will measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the separate income statement caption "Special items".

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 under the separate income statement caption "Special items".

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in such circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Interests in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control over the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of joint ventures. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 **Summary of significant accounting policies (continued)**

Derivative financial instruments

The Group recognises derivatives as at the transaction date. Derivate financial instruments are measured at fair value at initial recognition and at each reporting date.

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges when hedging exposure to variability in future cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

Cash flow hedges which meet the criteria for hedge accounting are accounted for as follows:

- The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement as finance costs.

  The Group uses foreign exchange contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised as finance costs.
- Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged finance income or finance cost is recognised or when a forecast sale occurs. Amounts previously recognised in OCI are transferred to the same item as the hedged item when the hedged item impacts the income statement.

Fair value measurement

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Income statement

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements, since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, which primarily takes place ex warehouse.

Revenue is recognised net of sales discounts.

Cost of goods sold

Cost of goods sold comprises costs relating to sold goods, inventory write-downs, freight expenses, etc.

Other expenses

Other expenses comprise expenses incurred during the year for office expenses, rent, leases, advertising, exhibitions, etc.

Staff costs

Staff costs comprise wages and salaries, pensions, social security costs and other related staff costs.

The majority of the Group's pension schemes are defined contribution plans where contributions are paid to publicly or privately administered pension plans on a statutory, contractual or voluntary basis. Contributions to defined contribution plans are recognised in Staff costs when the related service is provided.

The Group has no further payment obligations once the contributions have been paid. In addition, the Group has a few defined benefit plans where the responsibility for the pension obligation towards the employees rests with the Group. The Group's net obligation is calculated annually by a qualified actuary The present value less the fair value of any plan assets is recognised as pensions in the balance.

Special items

Special items include acquisition related costs not considered a normal part of the Group's operations, impairments of investments and gain/losses related to divestment of entities and are shown separately in order to give a more true and fair view of the Group's operating profit.

Share of profits in joint ventures

Share of profits in joint ventures is recognised net of tax for the period for which the investment is considered a joint venture.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on receivables, 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.

Taxes of profit/loss

Taxes of profit/loss comprise current income and changes in deferred taxes (deferred taxes are described in a separate section),

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in OCI or equity is recognised in OCI or equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations, in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

Statement of comprehensive income

Other comprehensive income consists of income and costs not recognised in the income statement, including exchange rate adjustment arising from the translation from functional currency to presentation currency and fair value adjustments of hedging instruments.

In the event of the disposal of an entity, the accumulated exchange rate adjustment relating to the relevant entity is reclassified to the income statement.

Statement of financial position

Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation (for intangible assets with finite lives) and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as amortisation.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

A summary of the policies applied to the Group's intangible assets is as follows:

- Goodwill indefinite
- Technology, etc. - amortised on a straight-line basis over 5 years
- Customer relationship - amortised on a straight-line basis over 12 years
- Brands - amortised on a straight-line basis over 10 years

Goodwill

Goodwill is tested for impairment annually (at 31 December) and when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount being the highest of value in use and fair value less cost of disposal of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Other intangibles

Other intangibles comprising Technology, etc., Customer relationship and Brands are also tested for impairment when circumstances indicate that the carrying amount may be impaired. These intangible assets are not attributable to any specific reportable operating segment, and accordingly, an impairment test is carried out at consolidated group level.

Property, plant and equipment

Property, plant and equipment are valued at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Property, plant and equipment: 3 to 10 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement when the asset is derecognised under depreciation.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Investments in joint ventures

Investments in joint ventures are recognised as the Group's share of the equity value, measured according to the Group's accounting policies.

Inventories

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated expenses necessary to make the sale.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

3 **Summary of significant accounting policies (continued)**

Trade receivables

Trade receivables are generally recognised at nominal value, which in all material respects corresponds to amortised cost. Write-down is made for anticipated losses based on specific individual or collective assessments.

Prepayments

Prepayments comprise expenses incurred concerning subsequent financial years.

Equity

Equity includes total comprehensive income for the year, comprising the profit or loss for the year and other comprehensive income. Proposed dividend for distribution is included as a separate component of equity until the declaration date.

The foreign currency translation reserve comprises the Group's share of accumulated exchange rate differences arising on translation of foreign entities from the entity's functional currency to presentation currency of the Group.

The reserve for cash flow hedges includes the accumulated net change in the fair value of hedging transactions qualifying for cash flow hedge accounting.

Provisions

Provisions are recognised when the Group has a current legal or constructive obligation and include warranty and restoration provisions. Provisions are recognised on the basis of best estimates.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 **Summary of significant accounting policies (continued)**

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances changes. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period and relates to new information about facts and circumstances at the acquisition date or recognised in the income statement.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities on initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, after initial recognition at amortised cost. This includes directly attributable transaction and borrowing costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivative financial instruments.

Trade and other payables, bank overdrafts, loans and borrowings are subsequently measured at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Cash flow statement

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

Cash flows from operating activities

Cash flows from operating activities are presented using the indirect method as the profit before tax adjusted for non-cash operating items, changes in working capital, restructuring costs paid, interest received and paid, and income tax paid.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

3 **Summary of significant accounting policies (continued)**

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, and of intangible assets, property, plant and equipment and other non-current assets. The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from acquisitions of entities are recognised in the statement of cash flows from the acquisition date. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs as well as the acquisition and disposal of non-controlling interests, raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash in the statement of financial position comprises cash at banks and on hand.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash net of outstanding bank overdrafts as part of the ongoing monitoring of liquidity.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

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

Operating margin $\frac{\text{Operating profit before special items x 100}}{\text{Revenue}}$

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

Solvency ratio $\frac{\text{Equity at year-end excluding minorities x 100}}{\text{Total equity and liabilities at year-end}}$

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

4 Significant accounting estimates and judgements

When preparing the consolidated financial statements for the Group, Management undertakes a number of accounting estimates and judgements to recognise, measure and classify the Group's assets and liabilities.

The most significant areas subject to estimates and judgements are mentioned below.

Valuation of intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as amortisation.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The estimated value in use is computed on the basis of the expected free cash flow from the relevant cash-generating unit based on updated budgets for the next 3 years. The calculated value in use is based on a number of assumptions and is by nature subject to uncertainty. The key assumptions are disclosed and further explained in note 12.

Business combinations

The allocation of the acquisition cost to the fair value of the acquired assets, liabilities and contingent liabilities and thus to goodwill, including the allocation to cash-generating units, may have a significant impact on future profits. Fair values are based on estimates using information available at the time control was achieved. When part of the acquisition cost for entities acquired is dependent on the development in future profits, estimates are made of the most probable value of the contingent acquisition cost based on current forecasts. Please refer to note 27 for information about business combinations.

Inventories

Write-down for obsolete inventories is carried out on the basis of an assessment of their recoverability at the reporting date. Inventories are analysed and written down, if necessary. Movements in inventory write-downs are reflected in note 14.

Receivables

Impairment and write-downs of receivables are carried out on the basis of an assessment of objective evidence of impairment and their recoverability at the reporting date. Trade receivables are analysed and impaired, if necessary. An analysis of overdue trade receivables and movements in the provisions for bad debts appears from note 15.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

5 Staff costs

DKK'000	2017	2016
Wages and salaries	230,822	227,133
Pension costs (defined contribution plans)	13,213	12,858
Pension costs (defined benefit plans)	781	1,848
Other social security costs	25,753	24,419
Other staff costs	22,918	15,135
Total staff costs	293,487	281,393
Average number of employees	494	527

Remuneration to the Executive Board

	2017	2016
Wages and salaries	6,581	4,622
Pensions	129	0
	6,710	4,622

Remuneration to the Board of Directors

	2017	2016
Wages and salaries	714	922

Remuneration to key management personnel

	2017	2016
Wages and salaries	4,408	4,351
Pensions	341	357
	4,749	4,708

Key management personnel comprise the COO, the director of logistics and the director of product management.

The Executive Board and key management personnel are eligible for bonuses, depending on EBITA of operations.

6 Audit fees

DKK'000	2017	2016
Fees to the statutory auditors:		
Statutory audit	1,323	917
Other assurance services	44	50
Tax and VAT advisory services	2,066	689
Other services	986	913
	4,419	2,569

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2017	2016
7 Special items		
Acquisition related costs	8,590	3,233
Impairment of investments etc.	6,581	0
Loss on divestment	0	4,604
Total special items	15,171	7,837
8 Finance income		
Interest income	284	525
Fair value adjustment of interest rate swap	7,046	0
Currency gain, net	0	402
Total finance income	7,330	927
Total finance income related to finance assets at amortised cost	284	525
9 Finance costs		
Interest on debts and borrowings, etc.	40,525	39,154
Fair value adjustment of interest rate swap	0	9,026
Recycle interest rate swap to income statement	894	1,117
Amortisation of borrowing costs	7,066	7,105
Other financial expenses	5,223	5,964
Currency loss, net	5,047	0
Total finance costs	58,755	62,366
Total finance costs related to finance liabilities at amortised cost	40,525	39,154

10 Income tax

The major components of income tax expense for the year ended 31 December:

DKK'000	2017	2016
Consolidated income statement		
Current income tax:		
Current income tax charge	-25,649	-26,813
Changes prior year	-4,596	235
Deferred tax:		0
Changes in temporary differences	16,204	21,570
Income tax expense in the income statement	-14,041	-5,008
Consolidated statement of other comprehensive income		
Income tax (actual and deferred tax) related to items recognised directly in other comprehensive income:		
Net gain/loss on value adjustment on hedging instruments, actual tax	-197	-246
Net gain/loss on value adjustment on hedging instruments, deferred tax	376	-241
Income tax charged to other comprehensive income	179	-487
Profit before tax	-912	-20,768
Calculated at Denmark's statutory income tax rate of 22.0%	201	4,569
Tax rate deviations in foreign entities, net	-272	-2,167
Write-down deferred tax assets related to loan cost	-2,288	0
Adjustment to prior year	-4,596	235
Tax impact from acquisition-related costs and other permanent differences	-7,086	-7,645
Income tax expense reported in the consolidated income statement	-14,041	-5,008

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

11 **Deferred tax**

Deferred tax in 2017 related to the following:

DKK'000	Consolidated statement of financial position	Consolidated income statement/other comprehensive income
Intangible assets	-105,025	19,915
Property, plant and equipment	-1,939	-1,058
Inventories, etc.	5,409	653
Receivables, etc.	294	93
Other items	637	-3,023
Deferred tax expense (income)		16,580
Net deferred tax assets (liabilities)	-100,652	
Reflected in the statement of financial position as follows:		
Deferred tax assets	7,544	
Deferred tax liabilities	-108,196	
Deferred tax liabilities, net	-100,652	

Deferred tax in 2016 related to the following:

DKK'000	Consolidated statement of financial position	Consolidated income statement/other comprehensive income
Intangible assets	-116,587	19,328
Property, plant and equipment	-902	-1,883
Inventories, etc.	4,770	2,664
Receivables, etc.	205	35
Other items	3,125	1,184
Deferred tax expense (income)		21,328
Net deferred tax assets (liabilities)	-109,391	
Reflected in the statement of financial position as follows:		
Deferred tax assets	9,578	
Deferred tax liabilities	-118,969	
Deferred tax liabilities, net	-109,391	

The Group has carried forward losses on financial instruments with a taxable value of DKK 4 million (2016: DKK 4 million), which is not recognised, as its future utilisation is associated with uncertainty. The carry-forward period is limited to 1-2 years.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

11 Deferred tax (continued)

Reconciliation of deferred tax liabilities, net

DKK'000	2017	2016
Opening balance at 1 January	-109,391	-123,930
Taxable income (expense) during the period recognised in profit or loss	16,204	21,570
Taxable income (expense) during the period recognised in other comprehensive income	376	-241
Deferred tax from acquisition of subsidiaries and activities	-8,355	-6,790
Exchange rate adjustments	514	0
Closing balance at 31 December	-100,652	-109,391

The Group offsets tax assets and liabilities only if it has a legally enforceable right to do so and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

12 Intangible assets

DKK'000	Goodwill	Technology etc.	Customer relation-ship	Brand	Total
Cost at 1 January 2017	600,219	252,944	396,349	34,054	1,283,566
Additions from acquisitions	43,426	0	38,525	0	81,951
Additions	761	0	0	0	761
Foreign exchange adjustments	-2,326	0	-510	0	-2,836
Cost at 31 December 2017	642,080	252,944	434,364	34,054	1,363,442
Amortisation at 1 January 2017	0	87,266	54,476	5,874	147,616
Amortisation	0	50,589	36,051	3,405	90,045
Amortisation at 31 December 2017	0	137,855	90,527	9,279	237,661
Carrying amount at 31 December 2017	642,080	115,089	343,837	24,775	1,125,781
Amortisation period		5 years	12 years	10 years	

DKK'000	Goodwill	Technology, etc.	Customer relation-ship	Brand	Total
Cost at 1 January 2016	568,888	252,944	368,217	34,054	1,224,103
Additions from acquisitions	27,053	-	26,991	-	54,044
Additions	4,147	-	1,470	-	5,617
Foreign exchange adjustments	131	-	-329	-	-198
Cost at 31 December 2016	600,219	252,944	396,349	34,054	1,283,566
Amortisation at 1 January 2016	-	36,677	22,246	2,469	61,392
Amortisation	-	50,589	32,230	3,405	86,224
Amortisation at 31 December 2016	-	87,266	54,476	5,874	147,616
Carrying amount at 31 December 2016	600,219	165,678	341,873	28,180	1,135,950
Amortisation period		5 years	12 years	10 years	

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

12 Intangible assets (continued)

Except for goodwill, all other intangible assets have finite useful lives and are amortised according to the Group's accounting policies. Goodwill is tested for impairment annually.

Goodwill acquired through business combinations with indefinite lives has been allocated to the seven reportable operating segments reflecting the Group's CGUs, which are tested for impairment:

- Server, computer and printer parts
- Home entertainment and life style
- Surveillance and security
- Mobile parts and accessories
- Pro AV & Digital Signage
- POS & Auto-ID
- Other[1)]

[1] "Other" relates to other minor different business areas

Other intangible assets comprising Technology, etc., Customer relationship and Brands are not attributable to any specific reportable operating segment, and accordingly, impairment tests are carried out at consolidated group level.

The Group performed its annual impairment test of goodwill in December 2016. The Group considers the relationship between its value in use and its carrying amount, among other factors, when reviewing for evidence of impairment.

No impairment was identified in respect of any of the CGUs.

Estimates used to measure recoverable amount

The recoverable amount of each CGU is determined on the basis of its value-in-use. The value-in-use is established using certain key assumptions as described below. The key assumptions are revenue growth, product contribution and discount rates.

The value-in-use cash flow projections are based on financial budgets approved by Management covering the subsequent financial years. The assumptions applied in the short to medium term are based on Management's expectations as to the operational development and growth in product contribution. The terminal growth rates applied for periods beyond 5 years do not exceed an expected weighted long-term average growth rate, including inflation, for the main countries in which the Group operates. Other costs within operating profit before acquisition-related costs are for impairment testing purposes allocated to the reportable operating segments based on their relative share of the product contribution in the Group.

The applied discount rates represent the current market assessment of the risks, taking into consideration the individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The estimated discount rates are based on expected marked participant perspectives on the relevant weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investments by equity investors.

The specific discount rates are generally based on 10-year government bonds. The cost of debt is based on the yield to maturity on 10-year Danish government bonds added a credit risk premium measured by the spread between the yield to maturity on 10-year EUR-denominated corporate bonds issued by comparable companies and the yield to maturity on 10-year EUR-denominated German government bonds. A capital structure with a ratio of 65% (2016: 60%) between the market value of debt and equity value has been applied in the calculation based on the capital structure of comparable companies as this represents the expected market participant perspective. A long-term market equity risk premium of 7.0% (2016: 7.7%) has been applied to reflect an expected long-term stock market return of 7.5% (2016: 8.0%).

Uncertainties reflecting historical performance and possible variations in the amount or timing of the future cash flows are generally reflected in the discount rates.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

12 Intangible assets (continued)

Carrying amount of goodwill allocated to each of the CGUs and key assumptions

The carrying amount of goodwill and the key assumptions used in the impairment testing at 31 December are presented below for each CGU:

		2017			
		Key assumptions applied			
DKK'000	Goodwill	Long-term growth in revenue	Long-term growth in product contribution	Discount rate, net of tax	Discount rate, pre-tax
Server, computer and printer parts	289,689	2%	2%	8.6%	10.6%
Home entertainment and life style	62,419	2%	2%	9.2%	11.4%
Surveillance and security	51,155	2%	2%	10.5%	13.0%
Mobile parts and accessories	44,640	2%	2%	8.6%	10.5%
Pro AV & Digital Signage	59,733	2%	2%	11.8%	14.6%
POS & Auto-ID	77,928	2%	2%	9.2%	11.3%
Other	56,516	2%	2%	9.2%	11.3%
	642,080				

		2016			
		Key assumptions applied			
DKK'000	Goodwill	Long-term growth in revenue	Long-term growth in product contribution	Discount rate, net of tax	Discount rate, pre-tax
Server, computer and printer parts	290,432	2%	2%	9.1%	11.1%
Home entertainment and life style	62,579	2%	2%	9.7%	11.9%
Surveillance and security	51,286	2%	2%	9.7%	11.9%
Mobile parts and accessories	44,755	2%	2%	9.1%	11.1%
POS & Auto-ID	43,972	2%	2%	12.2%	15.1%
Pro AV & Digital Signage	59,186	2%	2%	9.7%	11.9%
Other	48,009	2%	2%	10.9%	13.5%
	600,219				

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

12 Intangible assets (continued)

Sensitivity analysis

A sensitivity analysis of the key assumptions in the impairment testing is presented below. The allowed change represents the percentage points by which the value assigned to the key assumption as applied in the expected long-term rate can change, all other things being equal, before the CGU's recoverable amount equals its carrying amount.

	2017					
	Growth in revenue		Growth in product contribution		Discount rate, net of tax	
DKK'000	Applied expected long-term rate	Allowed decrease	Applied expected long-term rate	Allowed decrease	Applied rate	Allowed increase
Server, computer and printer parts	2%	-6.3%	2%	-6.3%	8.6%	3.5%
Home entertainment and life style	2%	-10.6%	2%	-10.6%	9.2%	5.0%
Surveillance and security	2%	-21.9%	2%	-21.9%	10.5%	7.3%
Mobile parts and accessories	2%	-8.0%	2%	-8.0%	8.6%	3.9%
POS & Auto-ID12	2%	-12.0%	2%	-12.0%	11.8%	4.7%
Pro AV & Digital Signage	2%	-23.1%	2%	-23.1%	9.2%	7.8%
Other	2%	-18.2%	2%	-18.2%	9.2%	6.8%

	2016					
	Growth in revenue		Growth in product contribution		Discount rate, net of tax	
DKK'000	Applied expected long-term rate	Allowed decrease	Applied expected long-term rate	Allowed decrease	Applied rate	Allowed increase
Server, computer and printer parts	2%	-5.8 %	2%	-5.8 %	9.1 %	4.3 %
Home entertainment and life style	2%	-11.1 %	2%	-11.1 %	9.7 %	7.8 %
Surveillance and security	2%	-13.0 %	2%	-13.0 %	9.7 %	8.5 %
Mobile parts and accessories	2%	-10.9 %	2%	-10.9 %	9.1 %	7.4 %
POS & Auto-ID12	2%	-15.6 %	2%	-15.6 %	12.2 %	9.5 %
Pro AV & Digital Signage	2%	-18.6 %	2%	-18.6 %	9.7 %	11.4 %
Other	2%	-13.1 %	2%	-13.1 %	10.9 %	8.7 %

Other intangible assets

Other intangible assets comprising Technology, etc., Customer relationship and Brands show no evidence of impairment.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

13 Property, plant and equipment

DKK'000	2017	2016
Cost at 1 January	43,568	40,638
Additions from acquisition of subsidiaries	1,235	602
Additions	13,935	7,621
Disposals	-6,087	-4,772
Foreign exchange adjustments	-131	-521
Cost at 31 December	52,520	43,568
Depreciation and impairment losses at 1 January	8,165	3,477
Depreciation	9,642	7,587
Disposals	-5,680	-2,870
Foreign exchange adjustments	-35	-29
Depreciation and impairment losses at 31 December	12,092	8,165
Carrying amount at 31 December	40,428	35,403

Depreciation in the income statement includes a net gain of DKK 1,144 thousand in 2017 (2016: DKK 16 thousand) related to disposals of assets.

14 Inventories

DKK'000	2017	2016
Trading goods	245,084	160,463
Total inventories	245,084	160,463

During 2017, DKK 7.7 million (2016: DKK 6.2 million) was charged to the income statement for damaged, obsolete and lost inventories.

15 Trade receivables, current

DKK'000	2017	2016
Trade receivables	433,889	321,023
Receivables from related parties	6,009	8,367
	439,898	329,390

Trade receivables are non-interest-bearing and generally fall due on 30-45 days terms. At 31 December 2017, trade receivables of an initial value of DKK 2.9 million (2016: DKK 2.9 million) were impaired and fully provided for. See below for the movements in the allowance for impairment of receivables.

DKK'000	2017	2016
At 1 January 2017	2,904	4,209
Additions from acquisition of subsidiaries	511	457
Charge in the year	1,495	537
Utilised	-1,144	-2,299
	3,766	2,904

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

15 Trade receivables, current (continued)

At 31 December, the ageing analysis of trade receivables is as follows:

DKK'000			Past due, but not impaired			
	Total	Neither past due nor impaired	< 30 days	30-60 days	61-90 days	> 91 days
2015	290,888	275,161	14,909	818	0	0
2016	321,023	276,015	42,584	907	1,063	454
2017	439,898	383,619	51,958	4,321	0	0

Customer credit risk

Customer credit risk is managed both locally and at group level subject to the Group's established policy, procedures and controls relating to customer credit risk management. The credit quality of a customer is assessed based on credit rating and analysis, and individual credit limits are defined in accordance with this assessment. Most customer receivables are covered by insurance.

Outstanding customer receivables are followed up on a regular basis and provisions are made for bad debts on a monthly basis. The calculation is based on actual historical data. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets.

The Group considers the concentration of risk with respect to trade receivables low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

16 Cash

DKK'000	2017	2016
Cash	26,475	50,944
Bank overdraft included in interest-bearing loans and borrowings	-118,664	-1,293
	-92,189	49,651

Cash at banks earns interest at floating rates based on daily bank deposit rates.

At 31 December 2017, the Group's undrawn, committed borrowing facilities totalled DKK 173,627 thousand (2016: DKK 377,678 thousand).

17 Trade and other payables (current)

DKK'000	2017	2016
Trade payables	271,402	259,025
	271,402	259,025

Trade payables are non-interest-bearing and are normally settled on a 30-60-day term.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

18 Provisions

DKK'000	Warranty
At 1 January 2017	2,000
Additions on acquisition of subsidiaries	0
Addition	0
Used	0
Foreign exchange adjustments	0
At 31 December 2017	2,000
Included in balance sheet as:	
Non-current liabilities	0
Current liabilities	2,000
At 31 December 2017	2,000

The warranty provision relates to any form of warranties on goods sold.

19 Pensions

DKK'000	Pension liabilities
At 1 January 2017	4,459
Additions on acquisition of subsidiaries	931
Additions	782
Used	-12
Foreign exchange adjustments	2
At 31 December 2017	6,162
Included in balance sheet as:	
Non-current liabilities	6,162
Current liabilities	0
At 31 December 2017	6,162

The pension liabilities relate to future pension payments according to pension benefit plans.

20 Interest-bearing loans and borrowings

At 31 December, the Group has taken out the following interest-bearing loans and borrowings:

Interest-bearing loans and borrowings	Expiry	Interest margin	Carrying amount 2017
Facility A	Expire up till 2021	3.50%	210,803
Facility B	Expire up till 2022	4.00%	387,166
Facility B2	Expire up till 2022	4.00%	28,940
Acquisition facility	Expire up till 2021	3.50%	187,709
Bank overdraft		3.50%	118,664
			933,282
Non-current			769,392
Current			163,890
			933,282

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

20 Interest-bearing loans and borrowings (continued)

Interest-bearing loans and borrowings	Expiry	Interest margin	Carrying amount 2016
Facility A	Expire up till 2021	3.50%	248,831
Facility B	Expire up till 2022	4.00%	383,363
Facility B2	Expire up till 2022	4.00%	28,696
Acquisition facility	Expire up till 2021	3.50%	101,029
Bank overdraft			1,302
			763,221
Non-current			722,992
Current			40,229
			763,221

Interest on interest-bearing loans and borrowings are variable with addition of an interest margin as indicated above.

Interest on the Facility A and Facility B loans are hedged economically with interest rate swaps for interest levels above 0%.

Financing costs at 31 December 2017 amounted to DKK 22,963 thousand (2016: DKK 30,029 thousand) and were amortised until the expiry date of the loans. Amortisation in 2017 amounted to DKK 7,066 thousand (2016: DKK 7,105 thousand).

21 Financial assets and liabilities

DKK'000	2017	2016
Financial assets at fair value		
Financial instruments measured at fair value (Level 2)	913	796
Financial assets at amortised cost		
Trade receivables	439,898	329,390
Other receivables	19,666	11,774
Cash	26,475	50,944
	486,039	392,108
Financial liabilities at fair value		
Financial instruments measured at fair value (Level 2)	9,949	16,995
Financial liabilities at amortised cost		
Interest-bearing loans and borrowings	933,282	763,220
Trade payables	271,402	259,025
Other payables (excluding financial instruments at fair value)	138,962	117,707
	1,343,646	1,139,952

The fair value of the assets and liabilities listed above is not materially different from the carrying amount except from interest-bearing loans and borrowings:

	2017	2016
Interest-bearing loans and borrowings, fair value (Level 2)	956,246	793,249

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

Changes in liabilities arising from financing activities

DKK'000	2017	2016
Non-current	722,992	696,985
Current	40,229	47,093
Loans and borrowings, 1 January	763,221	744,078
Proceeds	86,680	60,732
Repayments	-41,927	-47,041
Amortisation of borrowing costs	7,066	7,105
Change in bank overdrafts	116,765	1,293
Exchange rate adjustments	1,477	-2,946
Loans and borrowings, 31 December	933,282	763,221
Non-current	769,392	722,992
Current	163,890	40,229
Loans and borrowings, 31 December	933,282	763,221

Fair values

Financial instruments measured at fair value

Financial instruments measured at fair value are limited to derivative instruments. As described below, the fair value of derivatives is based on observable market data and valuation techniques (level 2). The financial instruments are measured at fair value on a recurring basis.

Financial instruments measured at amortised cost

The carrying amounts of the Group's financial instruments, measured at amortised cost, are reasonable approximations of fair values.

Valuation techniques

Management has assessed that cash, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values of other financial instruments:

Floating-rate borrowings are evaluated by the Group based on parameters such as interest rates and EET A/S' individual creditworthiness. The fair value is estimated using a discounted cash flow model. The own non-performance risk at 31 December 2017 was assessed to be insignificant.

Derivative financial instruments with various counterparties are principally financial institutions with investment grade credit ratings. The applied valuation techniques are discounted cash flow models, which incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, and interest rate curves. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

Fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate at the end of the reporting period. The own non-performance risk at 31 December 2017 was assessed to be insignificant.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

22 Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loans, trade and other receivables and cash that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

It is the Group's policy not to trade in derivatives for speculative purposes.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group enters into interest rate swaps to mitigate this risk, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest rate amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. Hence changes in the interest rates will not have any significant impact on profit or loss.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from its operating activities (primarily trade receivables), including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The credit risk relating to trade receivables is disclosed in note 15.

Credit risk from balances with banks and financial institutions is managed by group management on a regular basis. The cash balanced is concentrated at mainly a single counterparty rated AA.

Foreign currency risk

The Company is exposed to foreign currency risks arising from its operating and financing activities, as the Company has sales, purchases and financing in foreign currencies. In accordance with the Company's risk management policy, the Company hedges foreign currency risks arising from

- financing activities using interest rate swaps
- recognised and unrecognised transactions using forward exchange contracts.

Currency risks on items of the statement of financial position are monitored several times weekly and hedged by using primarily financial instruments. The risk exposure is considered limited.

Liquidity risk

The equity share of total equity and liabilities was 22.4% (2016: 25.6%) at the end of 2017. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, etc.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

22 Financial risk management objectives and policies (continued)

The Group considers the concentration of risk with respect to refinancing its debt low.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

31 December 2017 DKK'000	On demand	3 to 12 months	1 to 5 years	> 5 years	Total
Non-derivates:					
Interest-bearing loans and borrowings	0	202,716	864,994	0	1,067,710
Trade receivables and other financial liabilities	0	410,364	0	0	410,364
Derivates:					
Interest rate swaps	0	4,805	5,402	0	10,207
	0	617,885	870,396	0	1,488,281

31 December 2016 DKK'000	On demand	3 to 12 months	1 to 5 years	> 5 years	Total
Non-derivates:					
Interest-bearing loans and borrowings	0	74,317	425,836	435,421	935,574
Trade receivables and other financial liabilities	0	376,732	0	0	376,732
Derivates:					
Interest rate swaps	0	5,289	17,512	920	23,721
	0	456,338	443,348	436,341	1,336,027

The senior debt facilities are subject to financial covenants, which include debt and interest coverage ratios and cash flow and investment ratios. At 31 December 2017, the Group complied with the financial covenants.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

22 Financial risk management objectives and policies (continued)

Interest rate hedging

All changes in the interest rate hedges are recognised in the income statement. The amount recognised in other comprehensive income as of 31 December 2017 is DKK 3,498 thousand (2016: DKK 4,392 thousand) will be recycled to the income statement during the period until March 2022.

31 December 2017

DKK'000	2017	
Fair value of derivatives	**Assets**	**Liabilities**
Interest rate swaps	-	9,949
Other	913	-

31 December 2016

DKK'000	2016	
Fair value of derivatives	**Assets**	**Liabilities**
Interest rate swaps	-	16,995
Other	796	-

23 Capital management

The primary objective of the Group's capital management is to maximise shareholder value.

In order to achieve this overall objective, the Group's capital management aims, e.g., at ensuring that it meets financial covenants connected with the interest-bearing loans and borrowings that define capital structure requirements. Failure to meet the financial covenants would permit the bank to call loans and borrowings.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions and the requirements of the financial covenants. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing loans and borrowings, trade and other payables, less cash. The Group intention is to have a gearing ratio between 0.70 and 0.80, which is met in 2016 and 2017.

DKK'000	2017	2016
Interest-bearing loans and borrowings	933,283	763,220
Trade payables	271,402	259,025
Other payables	148,911	134,702
Less cash	-26,475	-50,944
Net debt	1,327,121	1,106,003
Equity	431,808	448,594
Total capital and net debt	1,758,929	1,554,597
Gearing ratio	0.75	0.71

Please refer to note 21 in respect of covenants related to the senior facilities.

Notes to the financial statements

24 Investments in joint ventures

The following is summarised financial information for the Group's interest in immaterial joint ventures, based on the amount reported in the Group's consolidated financial statements:

DKK'000	2017	2016
Equity of immaterial joint ventures*)	-3,211	2,204
Dividends paid	0	0
Group's shares of:		
Profit from continuing operations	-942	-157
Total comprehensive income	-942	-157

*) Negative values of investments in joint ventures are off set against trade receivables from joint ventures.

Name	Principal activities	Country of incorporation	% equity interest 2017
EET Europarts RUS, ZAO	Sales company	Russia	50.0%
EET Europarts (Pty) Ltd.	Sales company	South Africa	50.0%
Clint Digital ApS	Sales company	Denmark	50.1%

Name	Principal activities	Country of incorporation	% equity interest 2016
EET Europarts RUS, ZAO	Sales company	Russia	50.0%
EET Europarts (Pty) Ltd.	Sales company	South Africa	50.0%
Clint Digital ApS	Sales company	Denmark	50.1%

25 Commitments, contingencies, operating lease commitments and pledges

The Group has entered into commercial leases for certain motor vehicles and items of machinery. These leases have an average life of between three and five years with no renewal option included in them. There are no restrictions placed upon the Group by entering into these leases. Furthermore, the Group has entered into operating leases for buildings (offices and warehouses, etc.).

Future minimum payments under non-cancellable operating leases are as follows:

DKK'000	2017	2016
Within one year	23,343	24,511
After one year, but not more than five years	21,444	22,853
More than five years	0	1,833
	44,787	49,197

EET A/S is jointly and severally liable for the Group's bank loans of DKK 956 million (2016: DKK 793 million).

EET A/S has executed a share pledge over its shares in EET Holdings A/S and further in EET Group A/S as security for loans under the Facility Agreement. Further, a number of subsidiaries of EET Group A/S have been pledged. Assets in certain subsidiaries have been pledged to a maximum of DKK 30 million.

The Group's lease of the central warehouse is on a 4-year non-cancellable agreement starting 1 September 2012. If EET cancels the lease after 5 years, EET must pay DKK 2.5 million to the lessor, and the contingent payment will be reduced by DKK 0.5 million per year until 2022.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

25 Commitments, contingencies, operating lease commitments and pledges (continued)

The Group is party to a number of pending tax audits and lawsuits. In Management's opinion, apart from the receivables and payables recognised in the statement of financial position, the outcome of these tax audits and lawsuits is not expected to affect the Group's financial position.

The Parent Company is jointly taxed with its Danish subsidiaries. The entities included in the joint taxation arrangement have joint and several unlimited liability for Danish corporate income taxes, etc. The Group as a whole is not liable to other parties.

26 Related party disclosures

The financial statements include the financial statements of the Group and the subsidiaries in the following table:

Name	Principal activities	Country of incorporation	% equity interest 2017
EET Holdings A/S	Subholding	Denmark	100.00%
EET Group A/S	Group activities	Denmark	100.00%
EET Europarts A/S	Sales company	Denmark	100.00%
EET International A/S	Sales company	Denmark	100.00%
Sandberg A/S	Sales company	Denmark	50.10%
EET Europarts AS	Sales company	Norway	100.00%
EET Europarts AB	Sales company	Sweden	100.00%
EET Europarts OY	Sales company	Finland	100.00%
EET Italy S.R.L	Sales company	Italy	92.50%
Intelligent Distribution SA	Sales company	Spain	93.50%
EET Europarts SAS	Sales company	France	92.50%
EET Europarts B.V.	Sales company	Holland	100.00%
EET Europarts GmbH	Sales company	Germany	100.00%
EET Europarts Ltd	Sales company	United Kingdom	94.00%
EET Schweiz GmbH	Sales company	Switzerland	100.00%
EET Polska Sp. Z o.o	Sales company	Poland	55.00%
EET Europarts GmbH	Sales company	Austria	80.00%
EET Europarts spol. s r.o	Sales company	Czech Republic	80.00%
EET Europarts Egypt Ltd	Sales company	Egypt	51.00%
Lothar Finance Egypt	Subholding	Egypt	100.00%
EET Europarts Ukraine	Sales company	Ukraine	100.00%
Avantis Distribution AB	Sales company	Sweden	100.00%
Avantis Distribution ApS	Sales company	Denmark	100.00%
Projektor System	Sales company	Sweden	100.00%
EET Europarts Ltd.	Sales company	Ireland	85.00%

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

26 Related party disclosures (continued)

The following table provides the total amount of transactions that have been entered into with related parties:

2017:

DKK'000	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Dividend paid
Joint ventures within the Group:				
EET Europarts RUS, ZAO	1,860	0	2,110	0
EET Europarts (Pty) Ltd.	1,000	0	268	0
Clint Digital ApS	366	0	5,228	0

2016:

DKK'000	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Dividend paid
Joint ventures within the Group:				
EET Europarts RUS, ZAO	3,818	0	1,647	0
EET Europarts (Pty) Ltd.	991	0	701	0
Clint Digital ApS	1,661	0	6,019	0

Transactions with Executive Board and key management personnel

2017:

DKK'000	Wages and salaries incl. pensions	Dividend	Interest expenses	Loan to EET	Capital contribution
Executive Board and key management personnel	11,459	0	0	0	4,000

2016:

DKK'000	Wages and salaries incl. pensions	Dividend	Interest expenses	Loan to EET	Capital contribution
Executive Board and key management personnel	9,330	0	603	0	0

Interest rates on the loans are 6 % p.a. Loans have been repaid in 2016.

Transactions with Executive Board and key management personnel include transactions with companies controlled by the key management personnel.

Remuneration of the Board of Directors is included in note 5.

The ultimate parent

The ultimate parent of the EET Group is FSN Capital GP IV Limited, 11-15 Seaton Place, St. Helier, Jersey. There were no transactions in the year between the EET Group and FSN Capital GP IV Limited.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

27 Business combinations

Acquisitions in 2017

In 2017, the EET Group completed the six acquisitions:

- On 31 March, 2017, EET Denmark A/S acquired 100% of the shares in DS Display, a distributor of Professional AV in Denmark
- On 31 March 2017, EET Sweden AB acquired 100% of the shares in Projektor System Salem AB, a distributor of Professional AV in Denmark
- On 30 June, 2017, EET Europarts Limited acquired 100% of the shares in Positoria Limited (parent company) and obtained control over DED Limited (100% owned subsidiary), a distributor of POS and Auto ID in the UK
- On July 3, 2017, EET Europarts Limited acquired 85% of the shares in Fusion Technologies Limited, a distributor of Pro AV in Ireland
- On 31 August 2017, EET Europarts SAS acquired 100% of the shares in Société A2L, a distributor of Professional AV in Denmark
- On 29 September, 2017, EET Norway AS acquired 100% of the shares in Avantis AS (parent company) and its 100% owned subsidiaries Avantis AB and Avantis ApS, a distributor of Storage and Network in Scandinavia.

The acquisitions were completed with the aim of strengthening the Group's future business development by benefitting from scales of economy by integrating smaller companies into the larger group.

The fair values of the identifiable assets and liabilities at the date of the acquisitions were:

	2017					
DKK'000	DS Display, DK	Projektor System, SE	DED Limited, UK	Avantis, NO	Other	Total
Assets						
Customer relationships	8,779	0	14,853	9,259	5,634	38,525
Property, plant and equipment	302	65	433	382	53	1,235
Deferred tax asset	0	0	0	405	0	405
Deposit	168	0	0	0	0	168
Inventories	6,615	3,444	3,999	3,025	4,438	21,521
Trade receivables	9,800	11,054	12,550	9,801	5,099	48,304
Income tax receivables	0	0	0	0	56	56
Other receivables	127	16	223	531	1	898
Prepayments	0	114	0	555	0	669
Cash	23	2,521	979	5,474	1,603	10,600
	25,814	17,214	33,037	29,432	16,884	122,381
Liabilities						
Pensions	0	0	0	0	931	931
Interest-bearing loans and borrowings	6,683	0	10,244	9,488	812	27,227
Deferred tax liabilities	2,110	0	3,044	2,130	1,476	8,760
Trade payables	3,568	7,556	14,842	5,358	5,693	37,017
Income tax payable	305	762	735	315	0	2,117
Other payables	3,867	2,996	2,763	6,029	1,305	16,960
	16,533	11,314	31,628	23,320	10,217	93,012
Total identifiable net assets at fair value	9,281	5,900	1,409	6,112	6,667	29,369
Goodwill arising on acquisition	9,720	4,893	15,231	9,019	4,563	43,426
Net cash acquired with the subsidiary included in cash flows from investing activities	6,660	-2,521	9,266	4,015	-791	16,629
Contingent consideration	-1,000	0	0	0	0	-1,000
Net cash outflow related business acquisitions in 2017	24,660	8,272	25,905	19,146	10,439	88,422
Consideration paid regarding prior years	0	0	0	0	2,265	2,265
Net cash outflow related business acquisitions	24,660	8,272	25,905	19,146	12,704	90,687

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

27 **Business combinations (continued)**

Goodwill arising from acquisitions are in general not deductible for tax purposes. Goodwill relates to expected synergies, employees knowhow and intangible assets that do not qualify for separate recognition.

The consideration transferred include contingent consideration of DKK 1 million (maximum is DKK 2.5 million). The contingent consideration amounts are determined on the basis of revenue and earnings from sale of certain products in a period up to 3 years subsequent to the acquisition date. There has been no adjustment of prior year's contingent consideration in the income statement for 2017.

In 2017, costs related to the acquisitions amounted to DKK 8.6 million and are included as special items in the income statement.

The fair value of trade receivables amounted to DKK 48 million, no significant write-downs have been made. All the trade receivables are expected to be collected.

Revenue and operating profit before depreciation, amortisation and special items from acquired businesses since the acquisition date included in the consolidated financial statements are estimated to DKK 180 million (2016: DKK 194 million) and DKK 10 million (2016: DKK 14 million).

Assuming the acquisitions were included as of 1 January 2017, the impact on revenue is estimated to an additional DKK 177 million and on operating profit before depreciation an additional to DKK 11 million.

Subsequent to 31 December 2017, the group completed the acquisition of 100% of the shares in Pro-Vision Distribution Limited, a distributer of Pro-AV in the UK, with an annual revenue of approximately DKK 110 million. The initial accounting for the business combination has not yet been completed.

Acquisitions in 2016

In 2016, the EET Group completed the seven acquisitions:

- On 1 February 2016, EET Europarts AB acquired 100% of the shares in Barex AB, a distributor of POS and AutoID-products in Sweden
- On 14 March 2016, EET Europarts UK Ltd. acquired 100% of the shares in Chiltern IT Limited, a distributor of Server, computer and in the UK
- On 1 July 2016, EET Europarts AS acquired 100% of the shares in Lys & AV Teknikk AS, a distributor of Professional AV equipment in Norway
- On June 15, 2017, EET France SAS purchased activities in Heimdal SAS, a distributor of POS & Auto-ID in France
- On 21 June 2016, EET Europarts OY acquired 100% of the shares in Visiostore OY, a distributor of Professional AV equipment in Finland
- On 3 January 2016, EET Europarts AS acquired 100% of the shares in CashPos Systems AS, a distributor of POS and AutoID-products in Norway
- On 28 July 2016, EET Europarts SES acquired 100% of the shares in Axis & Agix, a distributor of video surveillance in France
- On 5 September 2016, EET Europarts B.V. acquired 100% of the shares in The PoS Company (Benelux) B.V., a distributor of POS and AutoID-products in the Netherlands

The acquisitions were completed with the aim of strengthening the Group's future business development by benefitting from scales of economy by integrating smaller companies into the larger group.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

27 Business combinations (continued)

The fair values of the identifiable assets and liabilities at the date of the acquisitions were:

	2016				
DKK'000	Barex AB, Sweden	Chiltern IT Limited, UK	Lys & AV Teknikk AS, Norway	Other	Total
Assets					
Customer relationships	12,798	0	0	14,193	26,991
Property, plant and equipment	9	78	0	515	602
Deposit	0	0	0	487	487
Deferred tax assets	0	0	78	0	78
Inventories	11,702	1,609	1,321	11,967	26,599
Trade receivables	11,130	7,729	4,577	10,207	33,643
Other receivables	160	0	0	227	387
Prepayments	293	0	115	0	408
Cash	2,644	3,190	2,737	7,302	15,873
	38,736	12,606	8,828	44,898	105,068
Liabilities					
Pensions	0	0	0	476	476
Interest-bearing loans and borrowings	0	0	0	3,606	3,606
Deferred tax liabilities	2,816	0	0	3,259	6,075
Trade payables	9,303	5,311	1,996	15,386	31,996
Income tax payable	769	113	1,367	138	2,387
Other payables	4,820	89	518	2,905	8,332
	17,708	5,513	3,881	25,770	52,872
Total identifiable net assets at fair value	21,028	7,093	4,947	19,129	52,197
Goodwill arising on acquisition	2,896	6,884	11,051	6,222	27,053
Net cash acquired with the subsidiary included in cash flows from investing activities	-2,644	-3,190	-2,737	-3,696	-12,267
Contingent consideration	-7,184	-471	0	-745	-8,400
Net cash outflow	14,096	10,316	13,261	20,910	58,583

Goodwill arising from acquisitions are in general not deductible for tax purposes. Goodwill relates to expected synergies, employees knowhow and intangible assets that do not qualify for separate recognition.

The consideration transferred include contingent consideration of DKK 8.4 million. The contingent consideration amounts are determined on the basis of revenue and earnings from sale of certain products in a period up to 3 years subsequent to the acquisition date. There has been no adjustment of prior year's contingent consideration in the income statement for 2016.

In 2016, costs related to the acquisitions amounted to DKK 2.2 million and are included as special items in the income statement.

The fair value of trade receivables amounted to DKK 34 million, no significant write-downs have been made. All the trade receivables were expected to be collected.

Revenue and operating profit from acquired businesses since the acquisition date included in the consolidated financial statements were estimated to DKK 194 million and DKK 14 million, respectively.

Assuming the acquisitions were included as of 1 January 2016, the impact on revenue were estimated to further DKK 67 million and on operating profit additional DKK 5 million.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

27 Business combinations (continued)

Divestments in 2017

The Group made no divestments during 2017.

Divestments in 2016

At 7 November 2016, EET Group A/S sold its 51% interest in EAF Supply Chain Holding Ltd. for GBP 1.5 million. EAF Supply Chain Holding Ltd. and its subsidiary EAF Supply Chain Ltd. have been consolidated until the sale and affected the consolidated results negatively by DKK 2.6 million; further, the consolidated results are negatively affected by loss from the sale of DKK 4.6 million. The loss from the sale is included in "other special items" in the income statement. No contingent consideration was included in the total consideration.

Assuming the divestment were excluded as of 1 January 2016, the effect on revenue is negatively of DKK 128 million and positive on operating profit of DKK 3 million.

28 Issued capital

Authorised shares

DKK'000	2017	2016
A shares	3,750	3,750
B shares	14,798	14,637
C shares	3,723	3,662
	22,271	22,049

Ordinary shares are fully paid in

DKK'000	Share capital
At 6 February 2015	50
Capital increase, 7 April 2015	450
Capital increase, 10 April 2015	21,206
Capital increase, 17 April 2015	175
Capital increase, 15 June 2015	69
Capital increase, 7 April 2016	99
At 1 January 2017	22,049
Capital increase, 13 October 2017	222
At 31 December 2017	22,271

Each class A share carries 1 vote and each class C share carries 10 votes. None of the class B shares carries any votes. The shares' nominal value is DKK 1 pr. share. Number of shares and nominal value is equal.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

29 Standards issued, but not yet effective

The following new accounting standards and interpretations (IFRIC), which are not mandatory for the Group's financial statements for 2017, issued by IASB are as follows:

- IFRS 9 *Financial Instruments* and subsequent amendments to IFRS 9, IFRS 7 and IAS 39
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*
- IFRS 17 *Insurance Contracts*
- IFRS 10 and IAS 28 *Sale or contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28*
- IFRS 15 *Revenue from Contracts with Customers - Clarifications to IFRS 15*
- IFRS 2 *Classification and Measurement of Share-Based Payment Transactions* - Amendments to *IFRS 2*
- IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* - Amendments to *IFRS 4*
- IAS 40 *Transfers of Investment Property* - Amendments to *IAS 40*
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Part of Annual Improvements to IFRSs 2014-2016 Cycle

Of the above, only IFRS 9 and IFRS 15 have been endorsed by the EU. The Group expects to adopt the new accounting standards and interpretations when they become mandatory according to the effective dates adopted by the EU. In the opinion of Management, all new standards and Interpretations will not materially impact recognition and measurement of assets and liabilities in the financial statements in the coming years, though the expected impact from the implementation of IFRS 16 has not yet been completed, as further described below:

IFRS 9 *Financial Instruments*, which replaces IAS 39, changes the classification and thus also the measurement of financial assets and liabilities. The classification under IFRS 9 is based on a more logic approach closely related to the Group's business model and the characteristics of the underlying cash flows. Further, a new impairment model is introduced for financial assets, according to which impairment is based on expected loss. Finally, the standard introduces new criteria for hedge accounting which creates more flexibility when applying hedge accounting compared to the current standard.

The new standard is effective for reporting periods beginning on or after 1 January 2018.

The Group has completed the analysis of its current financial structure and risk profile. Based on this analysis, Management has assessed that IFRS 9 will only have a minor impact for the Group in respect of recognition and measurement.

IFRS 15 *Revenue from Contracts with Customers* replaces all current accounting standards and interpretations on revenue recognition and is effective for reporting periods beginning on or after 1 January 2018. The Group intends to implement the new standard by applying the modified retrospective approach. IFRS 15 introduces a five-step model that must be applied to all contracts with customers to determine when and how revenue is to be recognised in the income statement. Under the new standard, revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

The Group has in all material aspects completed its analysis of the expected impact from IFRS 15 on the Group by considering the current mix of products and contract types in respect of the Group's sale of IT technology products, including the related guarantees provided to the customers. Based on the Group's analysis, Management has assessed that the expected impact from IFRS 15 is insignificant in respect of recognition and measurement.

IFRS 16 *Leases* was issued in January 2016 and will be effective for annual periods beginning on or after 1 January 2019. The standard will significantly change the accounting treatment of leases that are currently classified as operating leases. IFRS 16 requires that all leases - with few exceptions - are recognised in the balance sheet as an asset with a corresponding liability. Further, the income statement will be affected as the lease expense for all operating leases under IFRS 16 will be split into depreciations and interest expenses, which under the current IAS 17 all is recognised in other expenses.

Consolidated financial statements for the period 1 January - 31 December

Notes to the financial statements

29 Standards issued, but not yet effective

The Group has not yet completed detailed analysis of the consequences from implementation of IFRS 16. However, the new standard is expected only to have some impact on the Group's balance sheet and cash flow statement, as the Group in 2017 has operating lease agreements with minimum lease payments amounting to DKK 25 million. The present value of the minimum lease payments of approximately DKK 45 million and corresponding to 2.3 % of the balance sheet, was potentially to be recognised in the balance sheet if IFRS 16 was implemented in 2017. In addition, the annual operating lease payments, which in 2017 amounted to DKK 45 million, would in accordance with IFRS 16 be presented as cash flow from financing activities - whereas under the current IAS 17 the operating lease payments are presented as cash flow from operating activities, which potentially will improve the cash flow from operating activities.

30 Events after the reporting period

No events have occurred after the balance sheet date to this date which would influence the evaluation of these consolidated financial statements.

Parent company income statement for the period 1 January - 31 December

Note	DKK'000	2017	2016
	Revenue	926	1,278
	Gross profit	926	1,278
4	Other expenses	-819	-896
5	Staff costs	-714	-933
	Operating loss	-607	-551
9	Share of loss in subsidiaries after tax	-16,554	-27,899
6	Finance income	119	218
7	Finance costs	-66	-46
	Loss before tax	-17,108	-28,278
8	Income tax expense	53	-617
	Loss for the year	-17,055	-28,895
	Attributable to:		
	Shareholders in EET A/S	-17,055	-28,895

Parent company statement of comprehensive income for the period 1 January to 31 December

Note	DKK'000	2017	2016
	Loss for the year	-17,055	-28,895
		-17,055	-28,895
	Share of comprehensive income in subsidiaries		
	Value adjustments of cash flow hedging instruments on equity to the income statement	893	1,117
	Income tax effect to the income statement	-197	-246
	Value adjustments of cash flow hedging instruments on equity	-1,709	1,098
	Income tax effect on equity	376	-241
		-637	1,728
	Exchange differences on translation of foreign operations	-5,459	-3,236
	Items that may be reclassified to the income statement	-6,096	-1,508
	Total comprehensive income, net of tax	-23,151	-30,403
	Attributable to:		
	Shareholders in EET A/S	-23,151	-30,403
	Total comprehensive income, net of tax	-23,151	-30,403

Parent company statement of financial position at 31 December

Note	DKK'000	2017	2016
	ASSETS		
	Non-current assets		
9	Investments in subsidiaries	416,321	438,864
	Total non-current assets	416,321	438,864
	Current assets		
	Receivables from companies within the EET Group	13,608	6,336
	Prepayments	30	24
	Total current assets	13,638	6,360
	TOTAL ASSETS	429,959	445,224
	EQUITY AND LIABILITIES		
	Equity		
	Equity attributable to shareholders in EET A/S	422,687	439,338
	Total equity	422,687	439,338
	Liabilities		
	Current liabilities		
	Trade payables	129	250
8	Income tax payable	6,851	5,352
	Other payables	292	284
	Total current liabilities	7,272	5,886
	Total liabilities	7,272	5,886
	TOTAL EQUITY AND LIABILITIES	429,959	445,224

Parent company cash flow statements for the period 1 January - 31 December

Note	DKK'000	2017	2016
	Operating activities		
	Operating loss	-607	-553
	Working capital adjustments:		
	Change in trade receivables, other receivables and receivables from companies within the EET Group	-5,981	-990
	Change in trade and other payables	-114	-826
		-6,702	-2,369
	Interest received	119	218
	Interest paid	0	-44
	Income tax paid	83	180
	Net cash flows from operating activities	-6,500	-2,015
	Investing activities		
	Acquisition of subsidiary, net of cash	0	0
	Net cash flows from investing activities	0	0
	Financing activities		
	Proceeds from the issue of share capital	6,500	2,015
	Net cash flows from financing activities	6,500	2,015
	Net decrease in cash	0	0
	Cash at 1 January	0	0
	Cash at 31 December	0	0

Parent company statement of changes in equity for the year ended 31 December

	Shareholders in EET A/S			
	Share capital	Net revaluation under the equity method	Retained earnings	Total equity
Equity at 1 January 2016	21,950	0	444,941	466,891
Loss for the year	-	-27,899	-996	-28,895
Other comprehensive income	-	-1,508	0	0
Transfer	-	29,407	-29,407	0
Total comprehensive income	21,950	0	-30,403	-28,895
Transactions with shareholders				
Capital increase	99	0	1,916	2,015
Equity adjustments in subsidiary	0	0	835	835
Total transactions with shareholders	99	0	2,751	2,850
Equity at 31 December 2016	22,049	0	417,289	439,338

	Shareholders in EET A/S			
	Share capital	Net revaluation under the equity method	Retained earnings	Total equity
Equity at 1 January 2017	22,049	0	417,289	439,338
Loss for the year	-	-16,554	-501	-17,055
Share of other comprehensive in subsidiaries		-6,096	0	-6,096
Transfer	-	22,650	-22,650	0
Other comprehensive income	-	0	0	0
Total comprehensive income	-	0	-23,151	-23,151
Transactions with shareholders				
Capital increase	222	0	6,278	6,500
Total transactions with shareholders	222	0	6,278	6,500
Equity at 31 December 2017	22,271	0	400,416	422,687

Parent company financial statements for the period 1 January - 31 December

Index to notes to the parent company financial statements

Parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Corporate information

The Group is incorporated and domiciled in Denmark. The registered office is located in Birkerød.

2 Basis of preparation

The parent company financial statements of EET A/S are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

The parent company financial statements are presented in DKK, which is the Parent Company's functional currency, and all values are rounded to the nearest thousand (DKK'000), except when otherwise indicated.

The accounting policies of EET A/S are the same as for the consolidated financial statements with the additions below. For a description of the accounting policies for the consolidated financial statements, please refer to page 21-30.

3 Supplementary accounting policies for the Parent Company

Investments in subsidiaries

The Company's investments in its subsidiaries are accounted for using the equity method.

Under the equity method, the investments in subsidiaries are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the subsidiary since the acquisition date. Goodwill relating to the subsidiary is included in the carrying amount of the investment and is not tested for impairment individually.

The income statement reflects the Company's share of the results of operations of the subsidiary. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when a change has been recognised directly in the subsidiary's equity, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and its subsidiaries are eliminated to the extent of the interest in the subsidiary.

The aggregate of the Company's share of profit or loss of a subsidiary is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests of the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its subsidiaries. At each reporting date, the Company determines whether there is objective evidence that the investment in the subsidiary is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value, and then recognises the loss as "Share of profit of a subsidiary" in the income statement.

Parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2017	2016
4 Fees to auditors appointed at the annual general meeting		
Statutory audit	212	206
Other assurance services	44	50
Tax and VAT advisory services	27	26
Other services	310	200
Total	593	482

5 Staff costs		
Wages and salaries	714	922
Total staff costs	714	922
Average number of employees	0	0
Remuneration to the Executive Management Board and the Board of Directors		
Wages and salaries	714	922

6 Finance income		
Interest income, group entities	119	218
Total finance costs	119	218

7 Finance costs		
Interest expenses, group entities	0	45
Other financial expenses	66	1
Total finance costs	66	46

8 Income tax

Major components of the income tax expense for the year ended 31 December:

Income statement		
Current income tax:		
Current income tax charge	122	83
Adjustment prior year	-69	-700
Income tax expense in the income statement	53	-617
Loss before tax	-17,108	-28,895
Calculated at Denmark's statutory income tax rate of 22.0%	3,764	6,357
Adjustments in respect of losses in subsidiary after tax	-3,642	-6,274
Adjustment prior year	-69	-700
Income tax expense reported in the income statement	53	-617

Parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

9 Investment in subsidiary

DKK'000	2017	2016
Cost at 1 January	512,840	512,840
Cost at 31 December	512,840	512,840
Value adjustment at 1 January	-73,976	-45,233
Share of loss on ordinary activities after tax	-16,554	-27,899
Share of other comprehensive income	-6,096	-1,508
Equity adjustments in subsidiaries	107	664
Value adjustments at 31 December	-96,519	-73,976
Carrying amount at 31 December	416,321	438,864

Name	Principal activities	Country of incorporation	% equity interest 2017
EET Holdings A/S	Subholding	Denmark	100.00%

For further details about group entities please refer to note 25 to the consolidated financial statements.

10 Commitments and pledges

EET A/S is jointly and severally liable for the Group's bank loans of DKK 933 million (2016: DKK 792 million).

EET A/S has executed a share pledge over its shares in EET Holding A/S and further in EET Group A/S as security for loans under the Facility Agreement. Further, a number of subsidiaries of EET Group A/S have been pledged. Assets in certain subsidiaries have been pledged to a maximum of DKK 30 million.

EET A/S is jointly taxed with its Danish subsidiaries. The entities included in the joint taxation arrangement have joint and several unlimited liability for Danish corporate income taxes, etc.

11 Financial risk management objectives and policies

The Company has only investments in the subsidiary EET Holdings A/S and does not have any significant receivables or debt. Risk related to currency, credit and liquidity is maintained on group level. Please refer to note 22 to the consolidated financial statements for further information on the Group's exposure to the risk.

12 Capital management

The primary objective of the Company's capital management is to maximise shareholder value which is maintained on group level. Please refer to note 23 to the consolidated financial statements for further information on the Group's capital management.

13 Related parties

Related parties are described in note 26 to the consolidated financial statements. Remuneration to Board of Directors are listed in note 5 to the consolidated financial statements. Further, the company has intercompany group balances in the balance sheet and interest to group entities are listed in note 6 and 7. The company does not have any other related party transactions.

Parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

14 Issued capital

Issued capital is described in note 28 to the consolidated financial statements.

15 Standards issued, but not yet effective

Standards issued, but not yet effective are described in note 29 to the consolidated financial statements.

16 Events after the reporting period

No events have occurred after the balance sheet date to this date which would influence the evaluation of the parent company financial statements.