EET GROUP

EET A/S

Bregnerødvej 133D, 3460 Birkerød

CVR no. 36 53 53 26

Annual report 2018

Approved at the Company's annual general meeting on 26 April 2019

Chairman:

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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 2018.

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 2018 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 2018.

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, 26 April 2019
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 2018, 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 2018 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 2018 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 the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

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, 26 April 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Claus Kronbak
State Authorised
Public Accountant
mne28675

Ole Becker
State Authorised
Public Accountant
mne33732

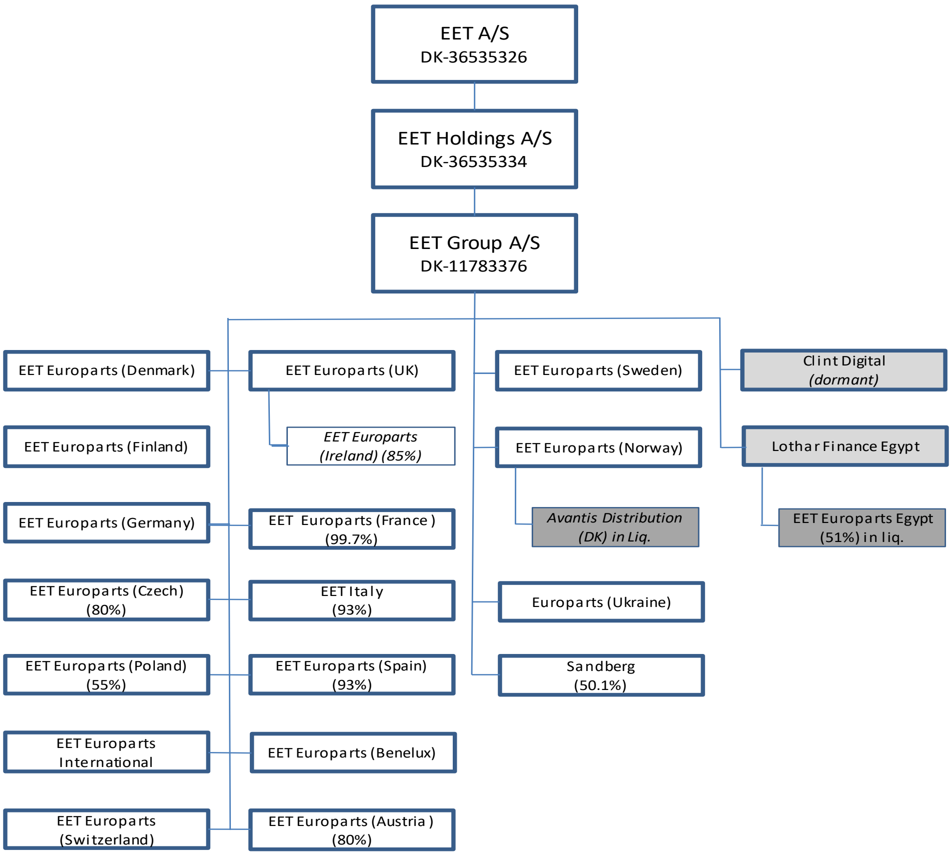
Management's review

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



Grey entities are without commercial activity.

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 20 countries having more than 25 local sales offices which are marketed under the name EET Europarts, all focusing on the following product areas:

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

Management's review

EET markets a broad range of leading trademarks, including HP, Zebra, Honeywell, Lexmark, Ubiquiti Networks, Bosch, Dell, NEC, Axis, Epson, Samsung, Ernitec, NEC, Sony, B&O and many more. EET markets more than 900 trademarks and more than 1,200,000 item numbers.

2018 highlights

- Revenue grew 20% to DKK 3.25 billion - of which 4% was organic growth.
- Gross profit rose 10% to DKK 502 million, corresponding to a gross margin of 15.5% compared to 17% i 2017, impacted by acquisition of activities with a lower gross margin than the existing business, and strong growth in the PRO AV segment.
- EBITDA was DKK 163 million against DKK 165 million in 2017 due to investments in building corporate infrastructure and competences to support future growth, including IT-investments, a new organizational structure and new group service and support functions.

Financial highlights for the Group

DKK'000	2018	2017[1]	2016[1]	2015[1] 11 months[2]
Key figures				
Revenue	3,246,316	2,698,728	2,242,464	1,867,889
Gross profit	502,604	458,666	423,869	319,863
Operating profit before depreciation, amortisation and special items	163,150	165,179	142,476	120,672
Ordinary operating profit before special items	34,040	66,636	48,665	55,232
Special items	-13,088	-15,171	-7,837	-15,928
Ordinary operating profit	20,952	51,465	40,828	39,304
Financial income and expense, net	-65,279	-51,425	-61,439	-38,689
Loss for the year	-47,666	-14,943	-25,776	-7,029
Total assets	2,098,737	1,924,740	1,752,764	1,746,870
Additions to property, plant and equipment	18,276	13,935	7,621	27,434
Equity	376,815	431,808	448,594	490,473
Cash flows from operating activities	147,377	-88,924	51,290	-10,369
Net cash flows from investing activities	-158,562	-101,957	-70,357	-944,881
Cash flows from financing activities	130,699	49,043	12,676	502,792
Total cash flows	119,514	-141,838	-6,391	-452,458
Financial ratios				
Gross margin	15.5%	17.0%	18.9%	17.1%
Operating margin	1.0%	2.5%	2.2%	3.0%
Solvency ratio	18.0%	22.4%	25.6%	28.1%
Average number of full-time employees	586	494	527	531

[1] Excluding impact of IFRS 9 and IFRS 15

[2] Including 9 months of operations.

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 financial highlights section 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 $$\frac{\text{Equity at year-end excluding minorities x 100}}{\text{Total equity and liabilities at year-end}}$$

Management's review

Operating review

Development in activities and financial position

During 2018, a new and changed matrix organisation was implemented to support the fast growth that the Group has experienced in the last couple of years, both organically and via the more than 22 acquisition made since 2015.

The geographical focus of the Group has furthermore been tightened, and consequently, the Group's joint venture activities in South Africa and Russia have been sold, and the Group's activities in Egypt have been closed.

In 2018, three acquisitions were completed with the aim of strengthening the Group's future business development:

- In March 2018, the UK-based distributor of Security & Surveillance products, *Provision Ltd.,* was acquired. The acquisition was carried out by the EET Group's subsidiary, EET Europarts UK Ltd.
- In June 2018, the Group's subsidiary in France, EET Europarts SAS, acquired the distribution arm of the French listed group *Videlio* with activities in the Professional Audio Video market via the acquisition of *C2M Intelware*.
- In July 2018, French distributor*Janipos SAS*, a niche distributor of products within the POS & Auto-ID segment targeting the French and Spanish market, was acquired by the Group's subsidiary in France, EET Europarts SAS.

Consolidated revenue grew by DKK 548 million to DKK 3.25 billion, of which acquisitions accounted for around DKK 441 million and organic growth for around DKK 107 million. Gross Income grew by DKK 61 million to DKK 502 million, while EBITDA was almost unchanged at DKK 163 million. EBITDA was impacted by higher operational costs in connection with the change of organization and investments in digital competences.

The net loss amounts to DKK 47 million and has been negatively impacted by special items of DKK 13 million, all related to restructuring and acquisition-related costs attributable to acquisitions made during 2018, and DKK 24 million related to goodwill impairment.

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In terms of cash flows, the Group generated a positive direct cash flow from operations (EBITDA +/- changes in net working capital) of DKK 241 million, bringing the last 3 years' accumulated cash generation to 79% of EBITDA. The net cash flow after investments and instalments on loans, etc., amounted to DKK 66 million.

At 31 December 2018, the Group's capital resources totalled DKK 124 million, including cash and unused credit facilities.

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 long-term profitable growth.

EET A/S' capital is divided into 22,271,286 shares of a nominal 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 should be declared in respect of the financial year 2018 and the consolidated loss of DKK 47 million should be transferred to retained earnings.

Management's review

Operating review (continued)

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 currencies, 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.

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.

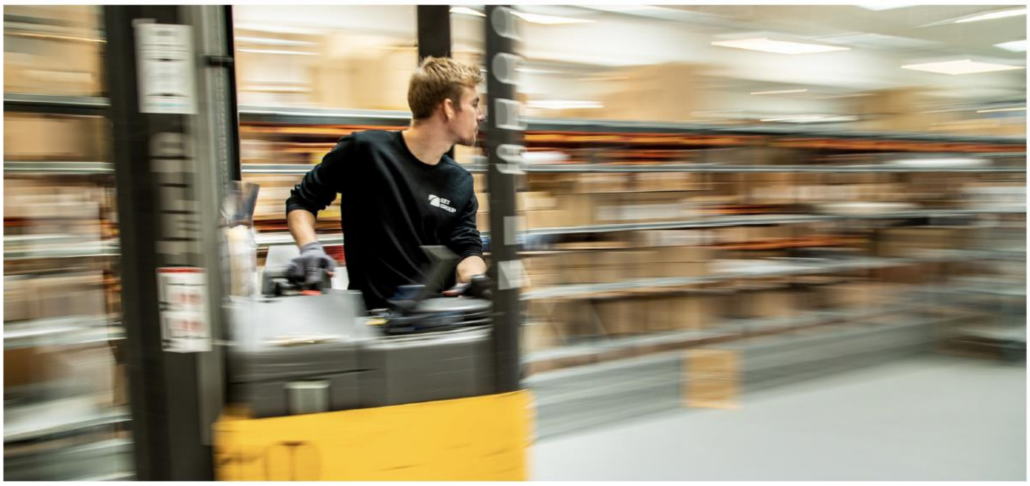
Management's review

Operating review (continued)

Other compulsory disclosures

CSR/ESG impacts through the value chain

EET ESG Report 2019



ESG impacts through the value chain

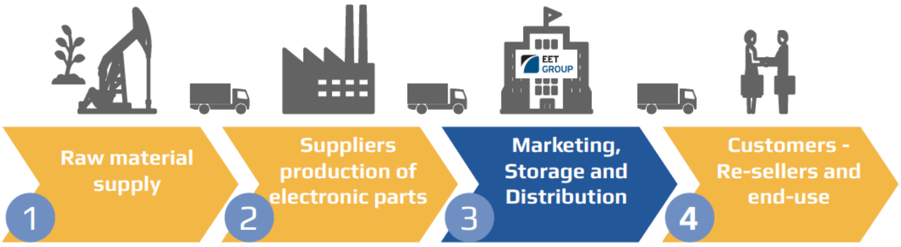
A substantial part of EET's business is to provide spare parts for electronic devices, thereby extending the lifespan of the devices themselves. By doing so, EET contributes to a more sustainable and environmentally friendly approach to the rapid growth in use of technology hardware. In particular, EET needs to closely monitor:

- 1. The potential impact of the dual use of products for unethical purposes;
- 2. The conditions under which the products are produced; and
- 3. The 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 guide-lines and processes for handling and disposing of electronic waste.*

Management's review

"The environmental impacts of production and the sourcing of raw materials are also important parts of EET's footprint.



1) Raw material supply

- Labour conditions and human rights
- Conflict minerals
- Sanctioned countries

2) Suppliers production of electronic parts

- Labour conditions and human rights
- Sustainable packaging in the supply chain

3) Marketing, Storage and Distribution

- Anti-corruption and integrity
- Employee health and safety
- Employee satisfaction and development
- Diversity and anti-discrimination
- Product offering to enhance electronics' longevity
- Internal waste management
- Operational climate impact
- Sustainable packaging to customers
- Tax policies and payments

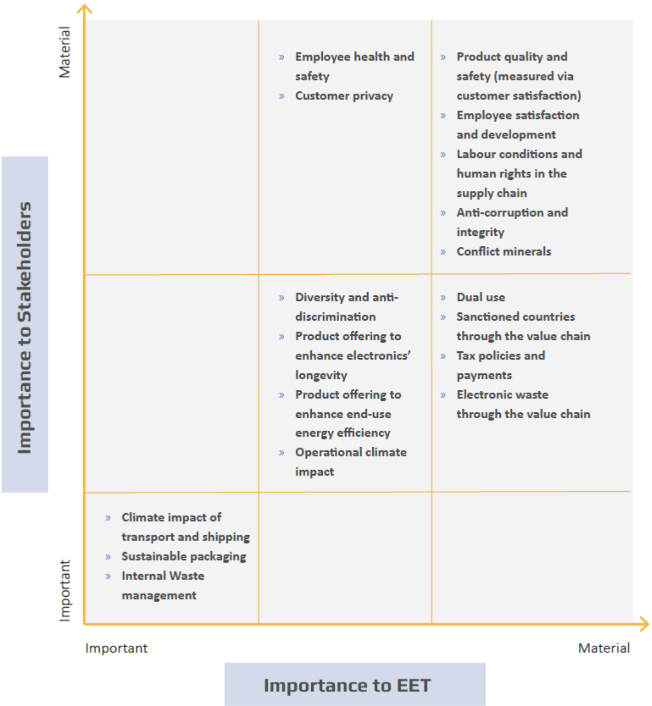
4) Customers – Re-sellers and end-use

- Product quality and safety (customer satisfaction)
- Customer privacy
- Dual use
- Sanctioned countries
- Climate impact of transport and shipping
- Product offering to enhance end-use energy efficiency
- Electronic waste (WEEE)

ESG risks and opportunities

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

EET serves a growing need among customers and end-users to maintain and update electronic devices. Positioning the business to meet this growing need is an opportunity at the core of the business model.



The production of electronic parts and devices may, however, involve negative environmental impacts or poor labour conditions, both of which must be avoided.

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

Corruption and unethical conduct may be present in parts of the value chain, as EET deals with many suppliers and customers across the globe.

EET has an opportunity to contribute to SDG UN Sustainable development Goal #12, "sustainable consumption and production patterns". In particular with the management of natural resources, waste, increasing recycling and increasing transparency in supply chains.

ESG performance 2018 and plan for 2019

Area 1 Responsible Supply Chain

Efforts 2018	Performance	Ambitions 2019
We have worked continuously to ensure that suppliers complied with EET Group's Supplier Code of Conduct by focusing on responsible supply chain management and ensuring high traceability of products.	Number of on site factory audits carried out: 16.	Update EET standard vendor contracts with requirements related to labour conditions and human rights as well as conflict minerals and dual-use products. 80% of top vendors will have signed the new requirements. Review supplier risk assessment model and perform on-site audits where required. With the assistance of external specialists analyze the risk in our supply chain related to conflict minerals and dual-use products.
We have identified a few items where dual-use could be a potential risk. Established a process to identify and mitigate this risk which is primarily related to network and communication product groups.	6 EECN numbers registered.	
Our systems block any attempt to create a customer or a delivery address that are on the list of sanctioned countries.		Ensure that both countries and individual companies that are listed on a sanctioned list cannot be supplied by EET. We will include potential dual-use information in custom clearance code table.

Area 2 Responsible Business Operations: People and Integrity

Efforts 2018	Performance	Ambitions 2019
EET's employees are the company's most important assets and we measure and actively work with the results in close dialogue with the employees to continuously improve employee engagement. Several KPI's are followed in this area.	Survey participation: 88% Overall engagement: 7.5 Overall eNPS: 20.	To continue to measure employee engagement and to actively work with the results in close dialogue with the employees. We aim for an overall engagement score of 7.8 and an eNPS of 24.
Employee health and safety is addressed in restated HR policies. We measure absenteeism due to illness.	Absenteeism due to illness: 2.5%.	HR policies on health and safety will be reviewed and surveyed on an ongoing basis to continuously improve work place conditions, health and safety of our employees.
Anti-corruption and integrity are addressed in policies of Code of Conduct and Whistleblowing as well as mitigated via internal controls and external audits. We measure employees trust in taking action should incidents occur.	Trust in EET taking action in case of ethics breach score: 8.3	Anti-corruption and integrity policies and their implementation are reviewed and surveyed on an ongoing basis.
EET will always comply with national and international tax and trade legislation. Implemented global tax compliance procedures in close cooperation with worldwide covering auditors.		Tax policy and payments are kept updated and adhered to as determined by global and local legislation in each country where we operate.
Diversity and anti-discrimination is an integral part of HR policies. We regularly track gender distribution and employees' trust in fair treatment.	Share of women: 26% Trust in fair treatment score: 8.7.	Work on a daily basis to maintain high level of trust in fair treatment and aim to increase the share of women in an effort to achieve more diversity via equal gender distribution.

Management's review

Area 3 Responsible Business Operations: Environmental Impacts

Efforts 2018	Performance	Ambitions 2019
We have worked continuously to improve EET's energy efficiency and reduce environmental impact. Continued efforts to reduce waste and energy consumption through meticulous waste separation of scrapped products and use of compactors to reduce the environmental impact of disposals. Our robotized warehouse solution, AutoStore, has decreased our power consumption.	No indicators reported.	Continue current procedures to reduce waste, energy consumption, excessive transportation and packaging and ensure compliance with legislation. Extend these procedures to all warehouses in the countries where we operate.
We have worked to reduce the climate impact of transport and shipping focusing on combined shipment solutions which have optimized the total transport solutions.		
We have reduced the use of packaging materials and we only use recycled material while still doing product safe distribution. Further a targeted effort was made to reduce plastics in packaging of particularly our Private Label product range.		Intensify the dialogue with our Private Label products suppliers in China to use more environmentally friendly packaging and ink.
Supporting sustainable environmental footprint we have added products like charging stations and cables for electric vehicles. Also we offer a range of refurbished products.		Increase sales of refurbished products by 20% and add more climate friendly products as appropriate. Increase focus on "smart home" products as they often facilitate improved energy efficiency at end user. Ensure our costumers have a possibility to select an energy efficient solution.
		Define KPI's and measure environmental impact of efforts from these procedures.

Area 4 Responsibility Towards Customers and Consumers

Efforts 2018	Performance	Ambitions 2019
We have worked continuously to ensure a high level of customer satisfaction and provide safe and functional products to the end-consumers and regularly measures on Net Promoter Score (NPS).	Overall cNPS score: 22.	Continuously measure customer satisfaction (cNPS). Maintain or increase the cNPS score while doubling the participation rate.
As part of an overall effort related to data security, we have implemented a level of customer data privacy to ensure compliance with the EU General Data Protection Regulation (GDPR). We hold a tier 4 datacenter certification.		Ensure continued GDPR compliance.

Management's review

Board of Directors

The Company aims to have a Board of Directors that can perform its duties 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.

So far, the gender composition of the members of the Board of Directors appointed by the annual general meeting has been 0 females and 5 males.

The target to be met by the annual general meeting in 2021 at the latest is 1 female and 4 males. EET did not achieve this target in 2018, as no new board members were elected.

Other management levels

The current gender composition 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 could influence the evaluation of these financial statements.

Outlook

The underlying market conditions are expected to show positive growth and the Group continue its expansion through strengthening of the product portfolio and acquisitions. EBITDA is expected to reach DKK 175-190 million, and a profit before tax is expected in 2019.

Consolidated income statement for the period 1 January – 31 December

Note	DKK'000	2018	2017
5	Revenue	3,246,316	2,698,728
	Cost of goods sold	-2,660,838	-2,167,691
	Product profit	585,478	531,037
7	Other expenses	-82,874	-72,371
	Gross profit	502,604	458,666
6	Staff costs	-339,454	-293,487
	Operating profit before depreciation, amortisation and special items	163,150	165,179
14	Depreciation	-11,871	-8,498
13	Amortisation and impairment	-117,239	-90,045
	Operating profit before special items	34,040	66,636
8	Special items	-13,088	-15,171
	Operating profit	20,952	51,465
25	Share of profit/loss in joint ventures accounted for under the equity method	-986	-942
9	Finance income	284	7,330
10	Finance costs	-65,563	-58,755
	Loss before tax	-45,313	-902
11	Income tax expense	-2,353	-14,041
	Loss for the year	-47,666	-14,943

		2018	2017
	Attributable to:		
	Non-controlling interests	2,014	2,112
	Shareholders in EET A/S	-49,680	-17,055
	Loss for the year	-47,666	-14,943

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

Note	DKK'000	2018	2017
	Consolidated loss for the year	-47,666	-14,943
	Value adjustments of cash flow hedging instruments on equity recycled to the income statement	893	893
11	Income tax effect on the income statement	-196	-197
	Value adjustments of cash flow hedging instruments on equity	1,270	-1,709
11	Income tax effect on equity	-278	376
		1,689	-637
	Exchange rate differences on translation of foreign operations	-1,618	-5,367
	Items that may be reclassified to the consolidated income statement	71	-6,004
	Total comprehensive income, net of tax	-47,595	-20,947
	Attributable to:		
	Non-controlling interests	1,935	2,204
	Shareholders in EET A/S	-49,530	-23,151
	Total comprehensive income, net of tax	-47,595	-20,947

Consolidated statement of financial position at 31 December

Note	DKK'000	2018	2017
	ASSETS		
	Non-current assets		
13	Goodwill	654,584	642,080
13	Technology, etc.	64,500	115,089
13	Customer relationships	389,089	343,837
13	Brand	21,369	24,775
14	Property, plant and equipment	47,484	40,428
12	Deferred tax assets	6,667	7,544
25	Investments in joint ventures	0	0
	Deposits	9,019	8,574
	Total non-current assets	1,192,712	1,182,327
	Current assets		
15	Inventories	331,287	245,084
16	Trade receivables	506,869	439,898
	Income tax receivable	3,566	5,166
	Other receivables	28,603	19,666
	Prepayments	8,375	6,124
17	Cash	27,325	26,475
	Total current assets	906,025	742,413
	TOTAL ASSETS	2,098,737	1,924,740
	EQUITY AND LIABILITIES		
	Equity		
29	Equity attributable to shareholders in EET A/S	369,782	422,687
	Non-controlling interests	7,033	9,121
	Total equity	376,815	431,808
	Liabilities		
	Non-current liabilities		
21	Interest-bearing loans and borrowings	851,653	769,392
20	Pension obligation	7,110	6,162
11	Deferred tax liabilities	116,757	108,196
	Total non-current liabilities	975,520	883,750
	Current liabilities		
21	Interest-bearing loans and borrowings	111,154	163,890
18	Trade payables	445,821	271,402
19	Provisions	2,000	2,000
	Income tax payable	14,853	21,318
	Other payables	169,925	148,912
	Prepayments from customers	2,649	1,660
	Total current liabilities	746,402	609,182
	Total liabilities	1,721,922	1,492,932
	TOTAL EQUITY AND LIABILITIES	2,098,737	1,924,740

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

Note	DKK'000	2018	2017
	Operating activities		
	Operating profit/loss	20,952	51,465
	Adjustments to reconcile profit before tax to net cash flows:		
14	Depreciation	11,871	8,498
13	Amortisation and impairment	117,239	90,045
	Other non-cash adjustments	-4,748	-1,322
	Working capital adjustments		
	Change in trade and other receivables	5,167	-73,294
	Change in inventories	-33,906	-63,099
	Change in trade and other payables	106,265	-20,576
		222,840	-8,283
	Interest received	165	284
	Interest paid	-50,736	-46,676
	Income tax paid	-24,892	-34,249
	Net cash flows from operating activities	147.377	-88,924
	Investing activities		
	Change in deposits, net	589	219
	Purchase of property, plant and equipment	-18,888	-12,281
	Acquisition of activities	0	-761
28	Acquisition of subsidiaries	-140,263	-90,687
	Disposal of property, plant and equipment	0	1,553
	Net cash flows from investing activities	-158,562	-101,957
	Financing activities		
	Proceeds from long-term borrowings	142,255	86,680
	Repayment of borrowings	-51,819	-41,927
	Change in credit facilities	52,890	0
	Borrowing costs paid	-5,228	0
	Transactions with shareholders		
	Proceeds from the issue of share capital	0	6,500
	Transactions with non-controlling interests		
	Dividend to non-controlling interests	-2,725	-2,210
	Acquisition of non-controlling interests	-4,674	0
	Net cash flows from financing activities	130,699	49,043
	Net increase in cash	119,514	-141,838
	Cash and cash equivalents at 1 January	-92,189	49,649
17	**Cash and cash equivalents at 31 December**	27,325	-92,189

Consolidated statement of changes in equity 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 2018	22,271	-12,136	-5,107	417,659	422,687	9,121	431,808
Profit/loss for the year	0	0	0	-49,680	-49,680	2,014	-47,666
Other comprehensive income	0	-1,539	1,689	0	150	-79	71
Total comprehensive income	0	-1,539	1,689	-49,680	-49,530	1,935	-47,595
Transactions with shareholders							
Acquisition of non-controlling interest	0	0	0	-3,375	-3,375	-1,299	-4,674
Dividend paid	0	0	0	0	0	-2,724	-2,724
Total transactions with shareholders	0	0	0	-3,375	-3,375	-4,023	-7,398
Equity at 31 December 2018	22,271	-13,675	-3,418	364,604	369,782	7,033	376,815

	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
Profit/loss for the year	0	0	0	-17,055	-17,055	2,112	-14,943
Other comprehensive income	0	-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	0	-129	-129
Dividend paid	0	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

Consolidated financial statements for the period 1 January – 31 December

Overview of 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 of the Danish Financial Statements Act applying to reporting class C (large) companies.

The accounting policies are consistent with the policies set out in the financial statements for 2017, except for the implementation of new and amended standards as set out below and the presentation of movements in bank credit facility in the cash flow statement, which due to circumstances in 2018 has been assessed to be part of the financing activity and not part of cash as presented previously.

The consolidated income statement and the consolidated statement of financial position seperately present items that are considered individually 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.

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

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

The Board of Directors considered and approved the 2018 EET A/S annual report on 26 April 2019. The annual report is submitted to the shareholders of EET A/S for approval at the annual general meeting on 26 April 2019.

Changes in accounting policies and disclosures

The Group has applied IFRS 15 and IFRS 9 for the first time in the financial statements 2018. The nature and effect of the changes as a result of adopting these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group has analysed the impact of the implementation of IFRS 15, which has not had any material impact on the recognition and measurement of revenue. Further, the adoption has had no material impact on the income statement and the cash flow statement.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

Changes in accounting policies and disclosures (continued)

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39, which changes the classification, measurement and impairment of financial assets and introduces new rules for hedge accounting. IFRS 9 requires the Group to record expected credit losses on all its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group applied the simplified method upon adoption of IFRS 9 on 1 January 2018 and record lifetime expected losses on all trade receivables. Based on the portfolio of financial assets and liabilities and the historically low realised loss on trade receivables, the adoption of the new standard did not have any material impact on the consolidated financial statements and therefore no effect on retained earnings at 1 January 2018. Further, no other elements from the adoption of the standard have affected recognition and measurement.

Reclassification

In 2017, freight income was included in cost of goods sold. In 2018, freight income in the comparatives has been reclassified by DKK 42,668 thousand, which has increased revenue and cost of goods sold. This has not impacted profit/loss for the year, total assets or equity.

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 2018. 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 control over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- control 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 control over an investee, including:

- the contractual arrangement with the other voting members 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.

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 interests and other components of equity while any resulting gain or loss is recognised in profit or loss.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

Any investment retained is recognised at initial recognition at fair value and subsequently measured at fair value through the income statement unless the investment is classified as an investment in associates or joint ventures measured using the equity method.

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 finance income or finance costs.

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 finance income or finance costs.

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 adjustments of balances with foreign entities which are considered part of the investment in the entity are 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.

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 IFRS 9 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.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

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

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 tested individually 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.

Derivative financial instruments

The Group recognises derivatives at the transaction date. Derivate financial instruments are measured at fair value on 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 risks in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised as finance costs.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

- 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 costs are 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.

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

The Group's revenue is generated from the sale and delivery of IT technology products to customers in Europe. The products are delivered to the customers from the Group's warehouses. Other than the delivery of goods, the Group's contracts with customers do not include other commitments that constitute separate performance obligations.

Revenue from the sale of products and freight is recognised when control of goods and products passes to the customer, which is generally upon shipment. At the same time, a trade receivable is recognised as an asset. For contracts providing the customer with a right of return within a specified limited period, the Group considers the value of products expected to be returned to be limited.

Revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for products sold and freight. Revenue excludes discounts, VAT and other duties. In determining the transaction price, the Group considers the effects of variable consideration. The Group's payment terms is generally 30-45 days, and it is the Group's assessment that contracts with customers do not include any significant financing element.

The Group has concluded that it is the principal in all its revenue arrangements, since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory risks.

Cost of goods sold

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

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

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 administrated pension plans on a statutory, contractual or voluntary basis. Contributions to defined contribution plans are recognised as 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 lies with the Group. The Group's net obligation is calculated annually by a actuary. The present value less the fair value of any plan assets is recognised as pensions in the statement of financial position.

Special items

Special items include acquisition-related costs not considered a normal part of the Group's operations, impairment of investments and gains/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/loss.

Share of profit/loss in joint ventures

The share of profit/loss in joint ventures is recognised net of tax for the period in which the investment is considered a joint venture.

Finance income and costs

Finance income and costs 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.

Income tax expenses

Income tax expenses comprises current income tax and changes in deferred taxes (deferred tax is 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 adjustments arising from the translation of functional currency into 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.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

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 cash-generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful 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.

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 lower than its 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.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

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.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement. The operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Services in connection with operating leases are recognised in the income statement on a straight-line basis over the lease term.

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.

Trade receivables

On initial recognition, trade receivables are measured at fair value, which in all material respects corresponds to the nominal value, and subsequently measured at amortised cost.

The Group applies the simplified approach to measure expected credit losses which uses lifetime expected credit losses for all trade receivables at each reporting date. The provision for expected credit losses is based on days past due for groups of customer with similar credit risk characteristics as well as an individual assessment.

Prepayments

Prepayments comprise expenses incurred concerning subsequent financial years.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

Equity

Equity includes total comprehensive income for the year, comprising the profit/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 the 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 be reversed 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 be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

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 tax assets 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 IFRS 9 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 initially recognised at fair value and, in the case of loans and borrowings, subsequently 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.

Cash flow statement

The cash flow statement 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 operating profit adjusted for non-cash operating items, changes in working capital, restructuring costs paid, interest received and paid, and income tax paid.

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 cash flow statement from the acquisition date. Cash flows from the disposal 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 bank and in hand.

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4 Significant accounting estimates and judgements

When preparing the consolidated financial statements of 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 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 5 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 13.

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 obtained. 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 28 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 15.

Receivables

The Group applies the simplified approach to measure expected credit losses which uses lifetime expected credit losses for all trade receivables at each reporting date. The provision for expected credit losses is based on days past due for groups of customer with similar credit risk characteristics as well as an individual assessments. An analysis of overdue trade receivables and movements in the provisions for bad debts is included in note 16.

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5 Revenue

At 1 January 2018, the Group implemented IFRS 15 Revenue from Contracts with Customers.

The Group's revenue is disaggregated into the following product categories:

DKK'000	2018	2017
Pro AV & Digital Signage	729,520	451,016
Server, computer and printer parts	696,432	698,903
Surveillance and security	478,513	354,238
Storage & Network	441,264	328,638
POS & Auto-ID	420,619	311,547
Consumer Electronics	299,280	276,935
Mobile parts and accessories	157,965	252,758
Other	22,723	24,693
Total revenue	3,246,316	2,698,728

At 31 December 2018, the value of products expected to be returned is considered insignificant.

6 Staff costs

DKK'000	2018	2017
Wages and salaries	263,490	230,822
Pension costs	11,731	13,994
Other social security costs	33,651	25,753
Other staff costs	30,582	22,918
Total staff costs	339,454	293,487
Average number of employees	586	494

Remuneration of the Executive Board		
Wages and salaries	6,641	6,581
Pensions	413	129
	7,054	6,710
Remuneration of the Board of Directors		
Wages and salaries	1,030	714
Remuneration of key management personnel		
Wages and salaries	6,737	4,408
Pensions	484	341
	7,221	4,749

Key management personnel comprise the COO, the CDO, the director of logistics, the director of product management, the head of M&A and Strategy and the HR director.

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

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	DKK'000	2018	2017
7	**Audit fees**		
	Fees to the statutory auditor:		
	Statutory audit	1,490	1,323
	Other assurance services	44	44
	Tax and VAT advisory services	1,926	2,066
	Other services	562	986
		4,022	4,419
8	**Special items**		
	Acquisition-related costs	10,948	8,590
	Restructuring costs	1,260	0
	Impairment of investments, etc.	414	6,581
	Adjustment of contingent consideration	466	0
	Total special items	13,088	15,171
9	**Finance income**		
	Interest income	284	284
	Fair value adjustment of interest rate swap	0	7,046
	Total finance income	284	7,330
	Total finance income related to financial assets at amortised cost	284	284
10	**Finance costs**		
	Interest on debts and borrowings, etc.	46,386	40,525
	Recycle interest rate swap to income statement	894	894
	Amortisation of borrowing costs	8,317	7,066
	Other financial expenses	4,541	5,223
	Fair value adjustment of interest rate swap	592	0
	Currency loss, net	4,833	5,047
	Total finance costs	65,563	58,755
	Total finance costs related to financial liabilities at amortised cost	54,704	47,591

11 **Income tax expense**

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

DKK'000	2018	2017
Consolidated income statement		
Current income tax:		
Current income tax charge	-19,597	-25,649
Changes, prior year	698	-4,596
Deferred tax:		
Changes in temporary differences	16,546	16,204
Income tax expense in the income statement	-2,353	-14,041

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11 Income tax expense (continued)

Consolidated statement of other comprehensive income

Income tax (current and deferred tax) related to items recognised directly in other comprehensive income:		
Net gain/loss on value adjustment on hedging instruments, current tax	-196	-197
Net gain/loss on value adjustment on hedging instruments, deferred tax	-278	376
Income tax charged to other comprehensive income	-474	179
Profit before tax	-45,313	-912
Calculated at Denmark's statutory income tax rate of 22.0%	9,969	201
Tax rate deviations in foreign entities, net	-212	-272
Write-down of deferred tax assets related to borrowing costs	-1,135	-2,288
Impairment of goodwill	-5,280	0
Adjustment to prior year	125	-4,596
Tax impact from acquisition-related costs and other permanent differences etc.	-5,820	-7,086
Income tax expense reported in the consolidated income statement	-2,353	-14,041

12 Deferred tax

Deferred tax in 2018 related to the following:

DKK'000	Consolidated statement of financial position	Consolidated income statement/other comprehensive income
Intangible assets	-114,804	15,963
Property, plant and equipment	-2,553	-615
Inventories, etc.	5,482	75
Receivables, etc.	334	42
Other items	1,451	803
Deferred tax expense (income)		16,268
Net deferred tax assets (liabilities)	-110,090	
Reflected in the statement of financial position as follows:		
Deferred tax assets	6,667	
Deferred tax liabilities	-116,757	
Deferred tax liabilities, net	-110,090	

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Notes to the financial statements

12 Deferred tax (continued)

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	

The Group has carried forward losses on financial instruments with a taxable value of DKK 3 million (2017: DKK 4 million), which has not been recognised as its future utilisation is associated with uncertainty. The carry-forward period is limited to 1-3 years.

Reconciliation of deferred tax liabilities, net

DKK'000	2018	2017
Opening balance at 1 January	-100,652	-109,391
Taxable income (expense) during the period recognised in profit or loss	16.546	16,204
Taxable income (expense) during the period recognised in other comprehensive income	-278	376
Deferred tax from acquisition of subsidiaries and activities	-25,781	-8,355
Exchange rate adjustments	75	514
Closing balance at 31 December	-110,090	-100,652

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.

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13 Intangible assets

DKK'000	Goodwill	Technology, etc.	Customer relation-ships	Brand	Total
Cost at 1 January 2018	642,080	252,944	434,364	34,054	1,363,442
Foreign exchange adjustments	91	0	-1,094	0	-1,003
Additions from acquisitions	32,413	0	84,944	0	117,357
Additions from obtaining control of joint ventures	4,193	0	0	0	4,193
Cost at 31 December 2018	678,777	252,944	518,214	34,054	1,483,989
Amortisation at 1 January 2018	0	137,855	90,527	9,279	237,661
Foreign exchange adjustments	0	0	-453	0	-453
Amortisation	0	50,589	39,051	3,406	93,046
Impairment	24,193	0	0	0	24,193
Amortisation and impairment at 31 December 2018	24,193	188,444	129,125	12,685	354,447
Carrying amount at 31 December 2018	654,584	64,500	389,089	21,369	1,129,542
Amortisation period		5 years	12 years	10 years	

Impairment losses relate to reassessment of the recoverable amount of the Mobile parts and accessories business as well as goodwill from obtaining control of joint ventures.

DKK'000	Goodwill	Technology, etc.	Customer relation-ships	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	

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.

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Notes to the financial statements

13 Intangible assets (continued)

Impairment test

The Group performed its annual impairment test of goodwill in December 2018. In performing the impairment test, the Group considers, among other factors, the relationship between its value in use and the carrying amounts of the CGUs.

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

- Server, computer and printer parts
- Consumer Electronics (in 2017 named "Home entertainment and life style")
- Surveillance and security
- Mobile parts and accessories
- Pro AV & Digital Signage
- POS & Auto-ID
- Storage & Network
- Other[1)]

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

At 31 December 2018, other intangible assets with finite useful lives, including Technology, etc., Customer relationship and Brands, showed no evidence of impairment.

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% (2017: 65%) 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% (2017: 7.0%) has been applied to reflect an expected long-term stock market return of 7.5% (2017: 7.5%).

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

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13 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:

		2018			
		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	290,712	2%	2%	8.9%	10.9%
Consumer Electronics	80,440	2%	2%	9.5%	11.8%
Surveillance and security	50,541	2%	2%	9.5%	11.9%
Mobile parts and accessories	4,731	2%	2%	8.9%	11.1%
Pro AV & Digital Signage	93,043	2%	2%	9,5%	11.9%
POS & Auto-ID	46,489	2%	2%	10.2%	12.7%
Storage & Network	75,246	2%	2%	9.5%	11.8%
Other	13,382	2%	2%	8.9%	10.9%
Total	654,584				

In 2018, a reallocation between segments was made to reflect the changes in the business activities, and therefore, a reallocation has been made between the segments, and Storage & Network has been made a separate segment reflecting the internal reporting. An impairment of DKK 20 million related to Mobile parts and accessories and DKK 4 million related to obtaining control of joint ventures has been recognised in 2018.

		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%
Consumer Electronics	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%
POS & Auto-ID	59,733	2%	2%	11.8%	14.6%
Pro AV & Digital Signage	77,928	2%	2%	9.2%	11.3%
Other	56,516	2%	2%	9.2%	11.3%
	642,080				

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13 Intangible assets (continued)

Sensitivity analysis

A sensitivity analysis of the key assumptions in the impairment test 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.

	2018					
	Growth in revenue		Growth in product contribution		Discount rate, net of tax	
DKK'000	Long-term rate	Allowed decrease	Long-term rate	Allowed decrease	Applied rate	Allowed increase
Server, computer and printer parts	2%	-2.5%	2%	-2.5%	8.9%	1.9%
Consumer Electronics	2%	-8.1%	2%	-8.1%	9.5%	5.6%
Surveillance and security	2%	-10.4%	2%	-10.4%	9.5%	5.8%
Mobile parts and accessories	2%	0.0%	2%	0.0%	8.9%	0.0%
Pro AV & Digital Signage	2%	-7.5%	2%	-7.5%	9,5%	4.8%
POS & Auto-ID	2%	-5.1%	2%	-5.1%	10.2%	3.3%
Storage & Network	2%	-7.5%	2%	-7.5%	9.5%	4.7%
Other	2%	-3.4%	2%	-3.4%	8.9%	2.9%

	2017					
	Growth in revenue		Growth in product contribution		Discount rate, net of tax	
DKK'000	Long-term rate	Allowed decrease	Long-term rate	Allowed decrease	Applied rate	Allowed increase
Server, computer and printer parts	2%	-6.3%	2%	-6.3%	8.6%	3.5%
Consumer Electronics	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-ID	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%

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14 Property, plant and equipment

DKK'000	2018	2017
Cost at 1 January	52,520	43,568
Additions from acquisition of subsidiaries	1,264	1,235
Additions	18,276	13,935
Disposals	-3,906	-6,087
Foreign exchange adjustments	-149	-131
Cost at 31 December	68,005	52,520
Depreciation and impairment losses at 1 January	12,092	8,165
Depreciation	12,098	9,642
Disposals	-3,543	-5,680
Foreign exchange adjustments	-126	-35
Depreciation and impairment losses at 31 December	20,521	12,092
Carrying amount at 31 December	47,484	40,428

Depreciation in the income statement includes a net gain of DKK 227 thousand in 2018 (2017: gain of DKK 1,144 thousand) related to disposals of assets.

15 Inventories

DKK'000	2018	2017
Trading goods	331,287	245,084
Total inventories	331,287	245,084

During 2018, DKK 5.8 million (2017: DKK 7.7 million) was charged to the income statement for damaged, obsolete and lost inventories.

16 Trade receivables

DKK'000	2018	2017
Trade receivables	506,869	433,889
Receivables from related parties	0	6,009
	506,869	439,898

Trade receivables are non-interest-bearing and generally fall due on 30-45-day terms. At 31 December 2018, trade receivables of an initial value of DKK 2.5 million (2017: DKK 3.8 million) were impaired and fully provided for.

The movements in the allowance for expected credit losses is specified below:

DKK'000	2018	2017
At 1 January 2018	3,766	2,904
Additions from acquisition of subsidiaries	707	511
Provision for expected credit losses	1,022	1,495
Utilised	-2,959	-1,144
	2,536	3,766

The implementation of the expected credit loss method under IFRS 9 did not result in any significant change in the allowance for bad debts.

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Notes to the financial statements

16 Trade receivables (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
2017	439,898	383,619	51,958	4,321	0	0
2018	506,869	446,313	51,021	6,433	607	2,496

Customer credit risks

The Group's exposure to credit risks is assesses to be low. The Group's customer portfolio is diversified in terms of geography and size. The Group is not exposed to credit risks related to significant individual customers.

Customer credit risks are 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 credit insurance. At 31 December 2018, approximately 91% of the Group's trade receivables, corresponding to DKK 460 million, were covered by credit 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 risks 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.

17 Cash

DKK'000	2018	2017
Cash	27,325	26,475
Bank overdraft included in interest-bearing loans and borrowings	0	-118,664
	27,325	-92,189

Cash at banks carried floating-rate interest based on daily bank deposit rates.

At 31 December 2018, the Group's undrawn, committed borrowing facilities totalled DKK 147,146 thousand (2017: DKK 173,627 thousand).

The movements in the bank credit facility are now considered to be financing activity and not part of net cash as presented previously.

18 Trade payables

DKK'000	2018	2017
Trade payables	445,821	271,402
	445,821	271,402

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

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19 Provisions

DKK'000	Warranty
At 1 January 2018	2,000
Arising during the year	2,000
Utilised	-2,000
Unused amounts reversed	0
At 31 December 2018	2,000
Included in balance sheet as:	
Non-current liabilities	0
Current liabilities	2,000
At 31 December 2018	2,000

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

20 Pension obligation

DKK'000	Pension liabilities
At 1 January 2018	6,162
Additions from acquisition of subsidiaries	1,738
Additions	331
Utilised	-1,128
Foreign exchange adjustments	7
At 31 December 2018	7,110
Included in balance sheet as:	
Non-current liabilities	7,110
Current liabilities	0
At 31 December 2018	7,110

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

21 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	Nominal amount 2018	Carrying amount 2018
Facility A	Expire up till 2021	3.50%	167,271	161,729
Facility B	Expire up till 2022	4.00%	402,555	389,218
Facility B2	Expire up till 2022	4.00%	30,000	29,006
Acquisition facility	Expire up till 2021	3.50%	329,964	329,964
Bank overdraft		3.50%	52,890	52,890
			982,680	962,807
Non-current			115,098	851,653
Current			867,582	111,154
			982,680	962,807

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21 Interest-bearing loans and borrowings (continued)

Interest-bearing loans and borrowings	Expiry	Interest margin	Nominal amount 2017	Carrying amount 2017
Facility A	Expire up till 2021	3.50%	218,525	210,803
Facility B	Expire up till 2022	4.00%	401,348	387,166
Facility B2	Expire up till 2022	4.00%	30,000	28,940
Acquisition facility	Expire up till 2021	3.50%	187,709	187,709
Bank overdraft		3.50%	118,664	118,664
			956,246	933,282
Non-current			170,122	769,392
Current			786,124	163,890
			956,246	933,282

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 2018 amounted to DKK 19,873 thousand (2017: DKK 22,963 thousand) including additional costs in 2018 of DKK 5,227 thousand and were amortised until the expiry date of the loans. Amortisation in 2018 amounted to DKK 8,317 thousand (2017: DKK 7,066 thousand).

22 Financial assets and liabilities

DKK'000	2018	2017
Financial assets at fair value		
Financial instruments measured at fair value (Level 2) [1]	358	0
Financial assets at amortised cost		
Trade receivables	506,869	439,898
Other receivables	28,603	19,666
Cash	27,325	26,475
	562,797	486,039
Financial liabilities at fair value		
Financial instruments measured at fair value (Level 2) [2]	10,540	10,862
Financial liabilities at amortised cost		
Interest-bearing loans and borrowings	962,807	933,282
Trade payables	445,821	271,402
Other payables (excluding financial instruments at fair value)	159,385	138,962
	1,568,013	1,343,646

[1] Included in Other Receivables
[2] Included in Other Payables

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:

Interest-bearing loans and borrowings, fair value (Level 2)	982,680	956,246

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Notes to the financial statements

22 **Financial assets and liabilities (continued)**

Changes in liabilities arising from financing activities

The change during the year in liabilities arising from financing activities is specified below:

DKK'000	2018	2017
Non-current	769,392	722,992
Current	163,890	40,229
Loans and borrowings, 1 January	933,282	763,221
Proceeds	142,255	86,680
Repayments	-51,819	-41,927
Borrowing costs paid	-5,228	0
Amortisation of borrowing costs	8,317	7,066
Change in bank overdrafts	-65,169	116,765
Exchange rate adjustments	1,169	1,477
Loans and borrowings, 31 December	962,807	933,282
Non-current	851,653	769,392
Current	111,154	163,890
Loans and borrowings, 31 December	962,807	933,282

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 2018 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 2018 was assessed to be insignificant.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

23 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. Interest on the Facility A and Facility B loans are hedged economically with interest rate swaps for interest levels above 0%. 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's exposure to credit risks is primarily related to trade receivables and also deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

In order to mitigate the risk, the majority of the Group's trade receivables are covered by credit insurance. The credit risk relating to trade receivables is disclosed in note 16.

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

Liquidity risk is the risk that the Group's is not able to meet the contractual obligations associated with its financial liabilities due to insufficient liquidity.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, etc. The equity share of total equity and liabilities was 18.0% (2017: 22.4%) at the end of 2018.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

23 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 2018 DKK'000	On demand	3 to 12 months	1 to 5 years	> 5 years	Total
Non-derivates:					
Interest-bearing loans and borrowings	0	149,640	931,298	0	1,080,938
Trade payables and other financial liabilities	0	605,206	0	0	605,206
Derivates:					
Interest rate swaps	0	4,475	5,975	0	10,450
	0	759,321	937,273	0	1,696,594

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 payables 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

The senior debt facilities are subject to financial covenants, which include debt and interest coverage ratios and investment ratios. At 31 December 2018, the Group complied with the financial covenants.

Interest rate hedging

All changes in the fair value of interest rate hedges are recognised in the income statement. The amount recognised in other comprehensive income as of 31 December 2018 is DKK 2,604 thousand (2017: DKK 3,498 thousand) will be recycled to the income statement during the period until March 2022.

31 December 2018

DKK'000	2018	
Fair value of derivatives	Assets	Liabilities
Interest rate swaps	0	10,540
Other	358	0

31 December 2017

DKK'000	2017	
Fair value of derivatives	Assets	Liabilities
Interest rate swaps	0	9,949
Other	0	913

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Notes to the financial statements

24 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 2017 and 2018.

DKK'000	2018	2017
Interest-bearing loans and borrowings	962,807	933,283
Trade payables	445,821	271,402
Other payables	159,385	148,911
Less cash	-27,325	-26,475
Net debt	1,540,688	1,327,121
Equity	376,815	431,808
Total capital and net debt	1,917,503	1,758,929
Gearing ratio	0.80	0.75

Please refer to note 23 in respect of covenants related to the senior facilities.

25 Investments in joint ventures

In 2018, the Group obtained control over one entity that was classified as joint ventures in 2017 and the two others were disposed.

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	2018	2017
Equity of immaterial joint ventures*)	0	-3,211
Dividends paid	0	0
Group's shares of:		
Loss for the year	-986	-942
Total comprehensive income	-986	-942

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

	2017		
Name	Principal activities	Country of incorporation	% equity interest
EET Europarts RUS, ZAO (disposed in 2018)	Sales company	Russia	50.0%
EET Europarts (Pty) Ltd. (disposed in 2018)	Sales company	South Africa	50.0%
Clint Digital ApS (acquired in 2018, now subsidiary)	Sales company	Denmark	50.1%

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Notes to the financial statements

26 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	2018	2017
Within one year	23,906	23,343
After one year, but not more than five years	21,673	21,444
More than five years	0	0
	45,579	44,787

EET A/S is jointly and severally liable for the Group's bank loans with a nominal value of DKK 982 million (2017: DKK 956 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 was originally 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.

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.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

27 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 2018
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	99.70%
EET Europarts B.V.	Sales company	Holland	100.00%
EET Europarts GmbH	Sales company	Germany	100.00%
EET Europarts Ltd	Sales company	United Kingdom	100.00%
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 Ukraine	Sales company	Ukraine	100.00%
EET Europarts Ltd.	Sales company	Ireland	85.00%
EET Europarts Egypt Ltd	Sales Company	Egypt	51,00%
Lothar Finance Egypt	Subholding	Egypt	100,00%
Avantis Distribution ApS	Sales Company	Denmark	100,00%
Clint Digital ApS	Sales Company	Denmark	100,00%

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

2018:

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 (disposed in 2018)	0	0	0	0
EET Europarts (Pty) Ltd. (disposed in 2018)	1,388	453	0	0
Clint Digital ApS (acquired in 2018, now subsidiary)	0	0	0	0

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 (disposed in 2018)	1,860	0	2,110	0
EET Europarts (Pty) Ltd. (disposed in 2018)	1,000	0	268	0
Clint Digital ApS (acquired in 2018, now subsidiary)	366	0	5,228	0

Transactions with Executive Board and key management personnel

Remuneration of the Board of Directors, Executive Board and key management personnel is disclosed in note 5.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

27 Related party disclosures (continued)

Other transactions with members of the Board of Directors, Executive Board and key management personnel is disclosed below:

2018:

DKK'000	Dividend	Interest expenses	Loan to EET	Capital contribution
Board of Directors, Executive Board and key management personnel	-	-	-	-

2017:

DKK'000	Dividend	Interest expenses	Loan to EET	Capital contribution
Board of Directors, Executive Board and key management personnel	-	-	-	4,000

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.

28 Business combinations

Acquisitions in 2018

In 2018, the EET Group completed the following acquisitions:

- On 16 March 2018, EET UK acquired 100% of the shares in Pro-Vision Distribution Limited, a distributor of Surveillance and Security in UK.
- On 1 June 2018, EET France acquired 100% of the shares in the French PROAV distributor C2M Intelware.
- On 30 June 2018, EET France and EET Spain acquired 100% of the shares in Janipos SAL and Janipos Iberia, respectively - distributors of POS and Auto-ID in Spain and France.

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

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

	2018			
DKK'000	PRO Vision, UK	Intelware, FR	Janipos, FR + ES	Total
Assets				
Customer relationships	13,835	39,684	31,425	84,944
Other non-current assets	765	1,065	623	2,453
Inventories	5,892	18,848	14,547	39,287
Trade receivables	22,287	46,393	18,745	87,425
Prepayments	536	0	0	536
Other current assets	0	373	2,809	3,182
Cash	1,023	10,949	6,823	18,795
	44,338	117,312	74,972	236,622
Liabilities				
Pensions and similar obligations	0	1,273	465	1,738
Interest-bearing loans and borrowings	0	27,586	1,494	29,080
Deferred tax liabilities	2,906	12,676	10,199	25,781
Trade payables	14,005	32,120	13,841	59,966
Income tax payable	929	0	590	1,519
Other current liabilities	3,539	4,281	5,035	12,855
	21,379	77,936	31,624	130,939
Total identifiable net assets at fair value	22,960	39,376	43,347	105,683
Goodwill arising on acquisition	2,331	16,064	14,018	32,413
Net cash acquired with the subsidiary included in cash flows from investing activities 1)	-1,023	16,637	-5,329	10,285
Contingent and deferred consideration	0	-10,733	0	-10,733
Net cash outflow related business acquisitions in 2018	24,268	61,344	52,036	137,648
Consideration paid regarding prior years	0	0	2,615	2,615
Net cash outflow related business acquisitions	24,268	61,344	54,651	140,263

[1)] Includes cash and interest-bearing loans and borrowings

The consideration for the acquired shares included fixed and variable consideration. Variable consideration is contingent upon realised earnings during a period of 24 months from the acquisition date, and the estimated outcome is EUR 200 thousand. Contingent consideration amounting to EUR 200 thousand was recognised at the acquisition date.

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.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

28 Business combinations (continued)

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

DKK'000	DS Display, DK	Projektor System, SE	DED Limited, UK	Avantis, NO	Other	Total
	2017					
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

[1)] Includes cash and interest-bearing loans and borrowings

Goodwill arising from acquisitions are generally non-deductible for tax purposes. Goodwill relates to expected synergies, employee knowhow and intangible assets that do not qualify for separate recognition.

The consideration transferred includes contingent consideration of DKK 1.0 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 2018, costs related to the acquisitions amounted to DKK 10.9 million (2017: 8.6 million) and are included as special items in the income statement.

The fair value of trade receivables amounted to DKK 87 million. DKK 0.8 million has been written down to reflect the expected amount of credit loss.

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 272 million (2017: DKK 180 million) and DKK 14 million (2017: DKK 10 million).

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

28 Business combinations (continued)

Assuming the acquisitions were included as of 1 January 2018, the impact on revenue is estimated to an additional DKK 217 million and an additional DKK 11 million on operating profit before depreciation.

Subsequent to 31 December 2018, no further business combinations were made.

Divestments in 2018

The Group made no divestments during 2018.

Divestments in 2017

The Group made no divestments during 2017.

29 Issued capital

Authorised shares

DKK'000	2018	2017
A shares	3,750	3,750
B shares	14,798	14,798
C shares	3,723	3,723
	22,271	22,271

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
Capital increase, 13 October 2017	222
At 31 December 2018	22,271

Each class A share carries 1 vote, and each class C share carries 10 votes. None of the class B shares carry any votes. The nominal value of the shares is DKK 1 per share. The number of shares and nominal value is equal.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

30 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 2018, issued by IASB are as follows:

- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Annual Improvements 2015-2017 Cycle (issued in December 2017)

IFRS 16 *Leases* will be implemented 1 January 2019. The expected impact on the consolidated financial statements is:

- An increase in property, plant and equipment of DKK 177 million and a recognition of a corresponding lease liability.
- A decrease in operating expenses of DKK 22 million
- An increase in depreciations of DKK 22 million
- An increase in financial expenses of DKK 7 million
- An increase in cash flow from operating activities and a decrease in cash flow from financing activities of DKK 22 million

Except for IFRS 16, none of the standards and interpretations are expected to have a material impact on the consolidated financial statements of the Group.

31 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	2018	2017
	Revenue	1,023	926
	Gross profit	1,023	926
4	Other expenses	-790	-819
5	Staff costs	-1,030	-714
	Operating loss	-797	-607
9	Share of loss in subsidiaries after tax	-49,063	-16,554
6	Finance income	367	119
7	Finance costs	-46	-66
	Loss before tax	-49,539	-17,108
8	Income tax expense	-141	53
	Loss for the year	-49,680	-17,055
	Attributable to:		
	Shareholders in EET A/S	-49,680	-17,055

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

Note	DKK'000	2018	2017
	Loss for the year	-49,680	-17,055
	Share of comprehensive income in subsidiaries		
	Value adjustments of cash flow hedging instruments on equity recycled to Financial costs in the income statement	893	893
	Income tax effect on the income statement	-196	-197
	Value adjustments of cash flow hedging instruments on equity	1,270	-1,709
	Income tax effect on equity	-278	376
		1,689	-637
	Exchange differences on translation of foreign operations	-1,539	-5,459
	Items that may be reclassified to the income statement	150	-6,096
	Total comprehensive income, net of tax	-49,530	-23,151
	Attributable to:		
	Shareholders in EET A/S	-49,530	-23,151
	Total comprehensive income, net of tax	-49,530	-23,151

Parent company statement of financial position at 31 December

Note	DKK'000	2018	2017
	ASSETS		
	Non-current assets		
9	Investments in subsidiaries	364,112	416,321
	Total non-current assets	364,112	416,321
	Current assets		
	Receivables from companies within the EET Group	5,791	13,608
	Prepayments	30	30
8	Income tax receivable	429	0
	Total current assets	6,250	13,638
	TOTAL ASSETS	370,362	429,959
	EQUITY AND LIABILITIES		
	Equity		
	Equity attributable to shareholders in EET A/S	369,782	422,687
	Total equity	369,782	422,687
	Liabilities		
	Current liabilities		
	Trade payables	203	129
8	Income tax payable	0	6,851
	Other payables	377	292
	Total current liabilities	580	7,272
	Total liabilities	580	7,272
	TOTAL EQUITY AND LIABILITIES	370,362	429,959

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

Note	DKK'000	2018	2017
	Operating activities		
	Operating lloss	-797	-607
	Working capital adjustments:		
	Change in receivables from companies within the EET Group	270	-5,981
	Change in trade and other payables	160	-114
		-367	-6,702
	Interest received	367	119
	Income tax paid	0	83
	Net cash flows from operating activities	0	-6,500
	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	0	6,500
	Net cash flows from financing activities	0	6,500
	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			
DKK'000	Share capital	Net revaluation under the equity method	Retained earnings	Total equity
Equity at 1 January 2018	22,271	0	400,416	422,687
Lloss for the year	0	-49,063	-617	-49,680
Share of other comprehensive in subsidiaries	0	150	0	150
Transfer	0	48,913	-48,913	0
Share of other equity transactions	0	0	-3,375	-3,375
Total comprehensive income	0	0	-52,905	-52,905
Equity at 31 December 2018	22,271	0	347,511	369,782

	Shareholders in EET A/S			
DKK'000	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
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

Overview of 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 22-31.

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, 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/loss 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		2018	2017
4	**Fees to auditor appointed at the annual general meeting**		
	Statutory audit	320	212
	Other assurance services	44	44
	Tax and VAT advisory services	27	27
	Other services	170	310
	Total	561	593
5	**Staff costs**		
	Wages and salaries	1,030	714
	Total staff costs	1,030	714
	Average number of employees	0	0
	Remuneration to the Executive Management Board and the Board of Directors		
	Wages and salaries	1,030	714
6	**Finance income**		
	Interest income, group entities	367	119
	Total finance costs	367	119
7	**Finance costs**		
	Other financial expenses	46	66
	Total finance costs	46	66
8	**Income tax expense**		
	Major components of the income tax expense for the year ended 31 December:		
	Income statement		
	Current income tax:		
	Current income tax charge	50	122
	Adjustment, prior year	-191	-69
	Income tax expense in the income statement	-141	53
	Loss before tax	-49,401	-17,108
	Calculated at Denmark's statutory income tax rate of 22.0%	10,868	3,764
	Adjustments in respect of losses in subsidiary after tax	-10,764	-3,642
	Adjustment, prior year and permanent differences, etc.	-245	-69
	Income tax expense reported in the income statement	-141	53

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

Notes to the financial statements

DKK'000	2018	2017
9 Investment in subsidiary		
Cost at 1 January	512,840	512,840
Cost at 31 December	512,840	512,840
Value adjustment at 1 January	-96,519	-73,976
Share of loss on ordinary activities after tax	-49,063	-16,554
Share of other comprehensive income	150	-6,096
Equity adjustments in subsidiaries	-3,296	107
Value adjustments at 31 December	-148,728	-96,519
Carrying amount at 31 December	364,112	416,321

Name	Principal activities	Country of incorporation	% equity interest 2018
EET Holdings A/S	Subholding	Denmark	100.00%

For further details about group entities, please refer to note 27 to the consolidated financial statements.

10 Commitments and pledges

EET A/S is jointly and severally liable for the Group's bank loans which have a nominal value of DKK 982 million (2017: DKK 956 million).

EET A/S has executed a share pledge over its shares in EET Holding A/S and also 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 handled at group level. Please refer to note 23 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 handled on group level. Please refer to note 24 to the consolidated financial statements for further information on the Group's capital management.

13 Related parties

Related parties are described in note 27 to the consolidated financial statements. Remuneration of the Board of Directors is specified in note 5. Further, the Company has intercompany group balances in the balance sheet, and interest to group entities is specified in notes 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 29 to the consolidated financial statements.

15 Standards issued, but not yet effective

Standards issued, but not yet effective are described in note 30 to the consolidated financial statements.

16 Events after the reporting period

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