EET A/S

Bregnerødvej 133D, 3460 Birkerød

CVR no. 36 53 53 26

Annual report 2019

Approved at the Company's annual general meeting on 31 March 2020

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 2019.

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 2019 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 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters 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, 31 March 2020
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 2019, 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 2019 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 2019 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, 31 March 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Ole Becker	Filip Asmussen
State Authorised	State Authorised
Public Accountant	Public Accountant
mne33732	mne45921

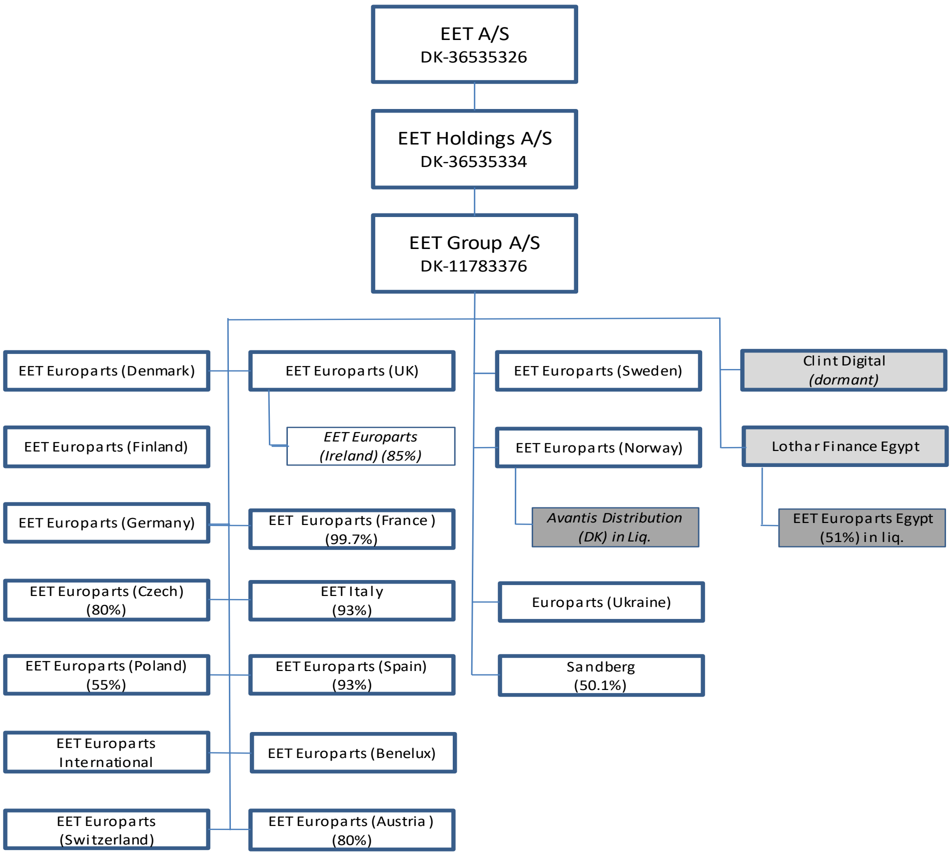
Management's review

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
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, marketing and distribution 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.

2019 highlights

- Revenue grew 1% to DKK 3.29 billion – on a like-for-like basis the growth was 4,7% of which 5,5% is from acquisitions
- Gross profit rose 10% to DKK 560 million, corresponding to a gross margin of 17,0% compared to 15,5% in 2018, a significant improvement due to a more favourable product mix and a full roll-out of structured pricing discipline methodologies across the group.
- EBITDA grew 36% to DKK 222 million against DKK 163 million in 2018 – of which less than 10% of the improvement derives from acquisitions, which demonstrates that the recent investments in the corporate infrastructure and new competences are paying off.

DKK'000	2019	2018[1)3)]	2017[1)3)]	2016[1)3)]	2015[1) 3)] 11 months[2)]
Key figures					
Revenue	3,293,078	3,246,316	2,698,728	2,242,464	1,867,889
Gross profit	559,777	502,604	458,666	423,869	319,863
EBITDA before special items[4)]	222,258	163,150	165,179	142,476	120,672
Ordinary operating profit before special items	76,911	34,040	66,636	48,665	55,232
Special items	-15,407	-13,088	-15,171	-7,837	-15,928
Ordinary operating profit	61,504	20,952	51,465	40,828	39,304
Financial income and expense, net	-58,829	-65,279	-51,425	-61,439	-38,689
Loss for the year	-10,228	-47,666	-14,943	-25,776	-7,029
Total assets	1,989,666	2,098,737	1,924,740	1,752,764	1,746,870
Additions to property, plant and equipment	12,030	18,276	13,935	7,621	27,434
Equity	365,567	376,815	431,808	448,594	490,473
Net cash flows from operating activities	118,964	147,377	-88,924	51,290	-10,369
Net cash flows from investing activities	-13,405	-158,562	-101,957	-70,357	-944,881
Net cash flows from financing activities	-104,897	130,699	49,043	12,676	502,792
Total cash flows	663	119,514	-141,838	-6,391	-452,458
Financial ratios					
Gross margin	17.0%	15.5%	17.0%	18.9%	17.1%
EBITDA before special items ratio	6.7%	5.0%	6.1%	6.4%	6.5%
Operating margin	1.9%	1.0%	2.5%	2.2%	3.0%
Solvency ratio	18.4%	18.0%	22.4%	25.6%	28.1%
Average number of full-time employees	589	586	494	527	531

1) Excluding impact of IFRS 9 and IFRS 15
2) Including 9 months of operations.
3) Figures are not adjusted with the impact of implementation of IFRS 16 from 1 January 2019
4) Operating profit before depreciation, amortisation and special items according to the Income Statement

Financial ratios

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

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

EBITDA before special items ratio $\dfrac{\text{EBITDA before special items x 100}}{\text{Revenue}}$

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

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

Management's review

Operating review

Development in activities and financial position

The implementation of the strategic masterplan set out in late 2017 is well on track and the results are paying off according to the expectations.

Significant investments in the organizational competences have been vital in order to support the future growth ambitions for the Group. A matrix organization is now fully implemented and a comprehensive organizational review and reallocation of employees has been carried out in order to mirror the strategic priorities. The commercial organization is also fully aligned to key strategic priorities and clustered into two division areas: Components and Solutions.

The final step in the geographical focus of the Group is completed as the activities in Ukraine have been sold.

Due to the busy agenda on improving the company infrastructure, including the full integration of the previous year's large acquisitions, only one new acquisition was made in 2019:

- In November 2019, the activities of the Spanish specialized distributor of Server, Computer & Printer Parts, *Express Parts SL,* was acquired. The acquisition was carried out by the EET Group's subsidiary, EET Europarts Spain.

This acquisition will allow access to new markets and business areas and increase the presence in the SCPP market in Spain through well-known and recognized brands such as Epson, HP and Lexmark.

Consolidated revenue grew by DKK 47 million to DKK 3.29 billion, of which acquisitions accounted for around DKK 170 million and an organic decline of around DKK 123 million. The organic decline is almost entirely due to lower sales of specific spare parts for mobile phones and a conscious decision to avoid loss making orders.

Gross Income grew by DKK 57 million to DKK 560 million, while EBITDA was improved by 36% to DKK 222 million. The main reason for the higher profitability is an aligned organisational model well-functioning in the entire value chain.

More sales of higher margin products and implementation of pricing tools and governance models lifted the margins by 1,5% points. Additionally, the digitization efforts have been significant and has led to more efficient work processes.

The net loss amounts to DKK 10 million and has been negatively impacted by special items of DKK 15 million, all related to restructuring and acquisition-related costs attributable to acquisitions made during 2018 and 2019, and DKK 8 million related to goodwill impairment.

In terms of cash flows, the Group generated a positive direct cash flow from operations (EBITDA +/- changes in net working capital) of DKK 210 million, equivalent to a cash generation of 94% of EBITDA excluding special items.

At 31 December 2019, the Group's capital resources totalled DKK 107 million, including cash and unused credit facilities.

In the management statement for 2018, the outlook for 2019 was an EBITDA in the range of DKK 175-190 million and a profit before tax that was positive before IFRS 16 impact. The actual EBITDA before IFRS 16 was DKK 195 million and result before tax of DKK 4 million, which in line with initial expectations.

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 22,2971,246 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 2019 and the consolidated loss of DKK 10 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

ESG report

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. EET needs to closely monitor in particular:

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 guidelines and processes for handling and disposing of electronic waste.

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

Raw material supply	Suppliers production of electronic parts	Marketing, Storage and Distribution	Customers - Re-sellers and end-use
1. Responsible and Active Supply Chain Management		*2. A trusted and ethical business partner and a great place to work*	*4. Ensure safe and satisfied Customers and Consumers*
	3. Minimise environmental impacts through the value chain		
► Labour conditions and human rights ► Conflict minerals ► Sanctioned countries	► Labour conditions and human rights ► Sustainable packaging in the supply chain	► 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	► 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)

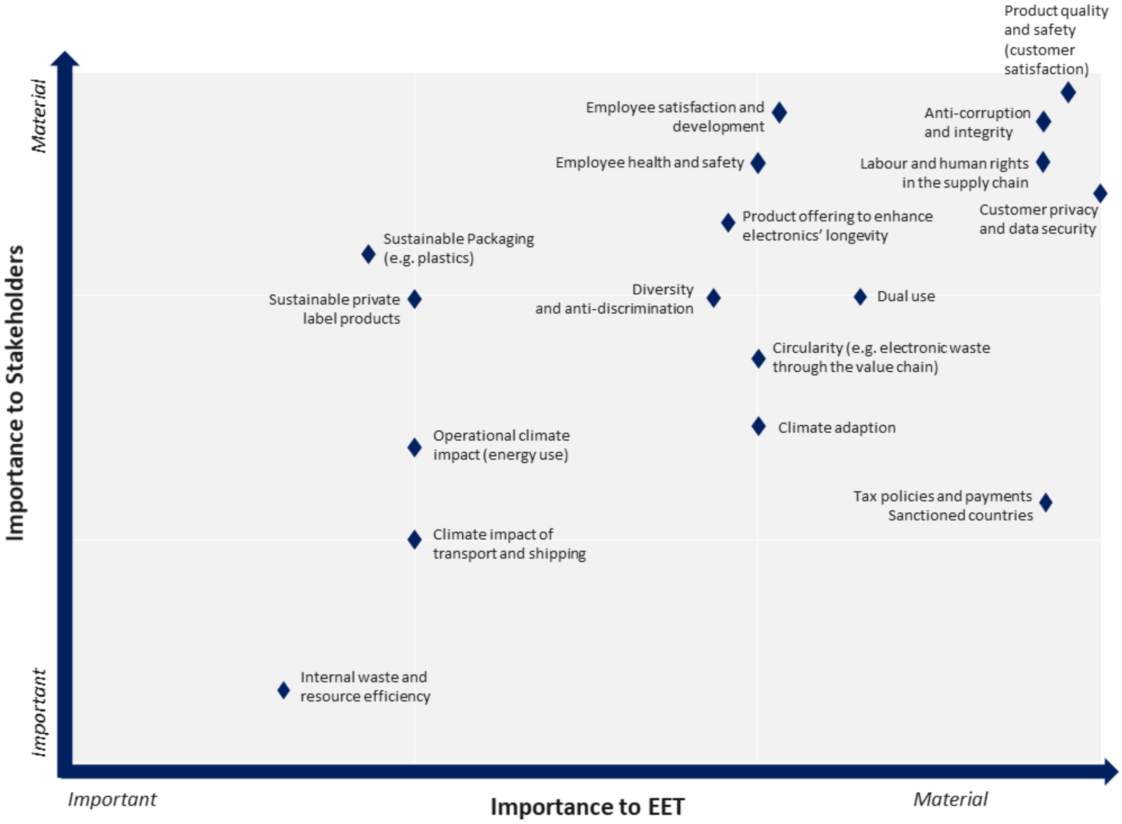
Management's review

ESG report (continued)

ESG risks and opportunities

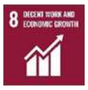
Innovation in electronic devices moves quickly and it has become common to replace electronic devices frequently. These practices lead to a high amount of electronic waste that is neither being reused nor recycled.

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. However, the production of electronic parts and devices may 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 12, sustainable consumption and production patterns; in particular with the management of natural resources, waste, increasing recycling and increasing transparency in supply chains



UN sustainable development goals (key focus areas for EET):


Achieve gender equality and empower women and girls.


Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.


Ensure sustainable Consumption and production patterns.


Take urgent action to combat climate change and its impacts.


Promote just, peaceful and inclusive societies.

Management's review

ESG report (continued)

Company ESG performance 2019 and plan for 2020

KEY ESG GOALS	EFFORTS 2019	PERFORMANCE 2019	AMBITIONS 2020
1. Responsible and Active Supply Chain Management	• We have updated EET standard vendor contracts with requirements related to labour conditions and human rights as well as conflict minerals and dual-use products. • Intensify the dialogue with our Private Label products suppliers in China to use more environmentally friendly packaging and ink. • We have reviewed our supplier risk assessment model and performed on-site audits where required. With the assistance of external specialists we have analysed the risk in our supply chain related to conflict minerals and dual-use products. Based on the nature of the vendor, risk profile of vendor geography, and the amount of business we do with the vendor we have identified 383 (hereof 82 Private Label) vendors to receive a self-assessment questionnaire of which 34 (hereof 26 Private Label) will be physically audited if objective assessment criteria (such as international quality certifications) are not met. • Dialogues about environmentally improved packaging alternatives have been initiated with the largest manufacturers among our vendors. Results still to be seen • We ensure that countries that are listed on a sanctioned list cannot be supplied by EET. We will include potential dual-use information in custom clearance code table.	• We have updated our vendor contracts and 80% of our top vendors have signed the new requirements/contract or already have a public CSR policy. A further 180 vendors have received the self-assessment for signing. • 71 vendors (overall) have so far replied to our self-assessment questionnaire. Almost all Private Label vendors have received the questionnaire and +80% have replied. • Sanctioned Countries are blocked in our ERP and finance systems and dual-use information is noted on item card level. Relevant products have been updated and an improved process has been set up to ensure continuous update.	• We will continue our work on quality assurance and vendor qualification. We aim to reach 95% of our overall top80 vendors both regarding roll out of new contracts as well as self-assessments • We will actively ask our Private Label vendors to provide climate friendly alternatives to standard products • 20 of our Private Label suppliers are scheduled to be audited • Keep internal list of sanctioned countries updated according to global developments

Management's review

ESG report (continued)

Company ESG performance 2019 and plan for 2020 (continued)

KEY ESG GOALS	EFFORTS 2019	PERFORMANCE 2019	AMBITIONS 2020
2. A trusted and ethical business partner and a great place to work	• 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. • Employee health and safety is addressed in restated HR policies. We measure absenteeism due to illness. • 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 EET taking action should incidents occur. • EET will always comply with national and international tax and trade legislation. We follow implemented global tax compliance procedures in close cooperation with worldwide covering auditors • Diversity, fair treatment and anti-discrimination is an integral part of HR policies. We regularly track gender distribution and employees' trust in fair treatment.	• We aimed to increase the overall engagement score, but we kept our score of 7.5 (eNPS 20), and increased the survey participation to 89% (up 1% from last year) • The top drivers of the engagement survey (the ones above our own average of 7.5) were Goal setting, Organizational fit, Peer relationship, Meaningful work, Management support, Autonomy, Strategy, Work load, Freedom of opinions, Accomplishment, Environment and Recognition • Workplace survey conducted in the company's largest entity/geography (Denmark) – the findings were immediately priorities and addressed through action plans that have been completed. • Absenteeism due to illness is unchanged at 2.5% • All internal policies (CoC, Anti-corruption, Whistle-blower) have been translated (where necessary) and communicated to all employees who have actively accepted them (documented) • Trust in EET taking action in case of serious misconduct score: 8.2 (0.1 down from last year) • We have worked 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. • Our Diversity and fairness KPI's • Share of women: 28% (2% up from last year) • Share of women among managers: 15% • Trust in fair treatment score: 8.8 (0.1 up from last year)	• As a supplement to the focus on engagement scores (which we aim to keep at current level or higher) we will follow the development of the bottom drivers (below our own average of 7.5 and below external benchmark) of engagement: Personal Growth and Reward • We will conduct the engagement survey only once a year (as opposed to previously two) and thus provide more time to work thoroughly with the findings in each team

Management's review

ESG report (continued)

Company ESG performance 2019 and plan for 2020 (continued)

KEY ESG GOALS	EFFORTS 2019	PERFORMANCE 2019	AMBITIONS 2020
3. Minimise environmental impacts through the value chain	• We have worked to improve the circularity and end-of-life management of our products through improving stock profiles. Our active marketing efforts, however, are limited by our engagement to OEM producers. • We have added more climate friendly and energy efficient products mainly within the smart home category • We have initiated work to map our carbon footprint / GHG (greenhouse gas) emissions through the implementation of CEMAsys (a cloud based reporting tool). We will report on: • scope 1 (company cars impact), • scope 2 (electricity, district heating and cooling as well as focus on share of purchased energy covered by guarantees of origin) and • scope 3 (upstream indirect impact related to cyclability and packaging of products as well as end-of-life management of goods sold, and climate impact generated from our business travel) • We have issued a TCFD report on climate related targets, strategies, risks and mitigations • We have revisited our risk materiality assessment including a particular update on climate adaptation. Scenarios addressed were warehouse flood risk, supply chain disruption due to the direct and indirect effects of climate changes, international legislation of supply chain liability for product life cycle and changes in customer buying behaviour. • We actively contribute to a nationwide effort to pay for the recycling of electronics (in Denmark where our distribution centre is located)	• Refurb sales have decreased by 48% mainly in the area of servers. • Our smart home product sales have increased by 35%, mainly in the areas of monitoring cameras, vacuum cleaner robots and thermostats. • We have reduced energy consumption and improved indoor light quality by introducing LED lighting at our main distribution facility. Also lighting above the AutoStore area (1500-1600 sqm) is now sensor activated. The investment was 160k DKK and savings estimated are 100k DKK p.a. (1½ year payback time on investment). • We have reduced our energy consumption related to running IT servers by 80% through reducing number of servers, change to energy efficient servers, and cooling them down. • Our GHG emissions have been measured for our activities in Denmark (where not mentioned otherwise): • Scope 1 emissions: 121 tCO2e (company cars). Energy consumption is 486 MWh • Scope 2 emissions: 351 tCO2e (electricity and district heating in our Nordic locations). Energy consumption is 4279 MWh. • Scope 3 emissions: 55350 tCO2e (goods transportation), 53 tCO2e (waste) and 51 tCO2e (air travel)	• We will do work with our OEM vendors to e.g. reuse end-of-lease products – results will be limited however in 2020. • We will continuously work with our transportation partners on the climate impact of transport and shipping. We expect them to provide carbon footprint data related to our activities. • We will introduce new packaging compressors, which will significantly reduce the number of annual waste pickups from 40-50 to 6-8 times a year. This will reduce transportation and thereby carbon emissions. • We will introduce a plastic waste compressor to improve recyclability of this type of waste. • We will extend the procedures followed in our main distribution centre in Denmark related to reduction of waste, energy consumption, transportation and packaging optimisation to our warehouses in UK, Spain and France

Management's review

ESG report (continued)

Company ESG performance 2019 and plan for 2020 (continued)

KEY ESG GOALS	EFFORTS 2019	PERFORMANCE 2019	AMBITIONS 2020
	• Our outbound packaging of recycled corrugated cardboard is 100% FSC certified. Also we use 100% FSC filling material (no plastics). We only buy packaging materials from trusted and certified vendors. • We perform well implemented process of waste segregation (e.g. glass, metal, electric waste, batteries) • We have worked with our transporters to get climate impact reporting.		
4. Ensure safe and satisfied Customers and Consumers	• We have succeeded in increasing the already high level of customer satisfaction (measured as cNPS). Our strategy update work involved extensive customer interviews by 3rd party. Results included a wealth of details on why our customers like to work with us • We have initiated work on a Product information Management (PIM) structure that will provide customers with improved product information. • Related to our overall efforts on improving data security, we have moved additional servers and applications to a new host centre • We have also implemented an external WAF (web application firewall) with a highly regarded provider. It is a filter that protects against HTTP application attacks.	• Overall cNPS score 27 (up from 22 last year) • Participation rate unchanged from last year as we decided not to make efforts to increase number/frequency of surveys • 1.2 million products have been migrated to the new PIM system incl. data enrichment from trusted partners	• Maintain or increase the customer satisfaction (cNPS) score and again consider whether we want to increase participation rate. This will be achieved through working with customer segmentation and differentiated processes and/or offering • Increase level of product related data in PIM and upgrade data presentation on customer facing IT platforms incl. web, email and data integrations. • Update our IT Policy, IT Security Policy and our IT Disaster & Recovery Policy.

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 2019, 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.

As a result of the current global outbreak of coronavirus, supply chains and the global transport and logistics markets are currently seeing a substantial negative impact. The situation continues to evolve but EET is well prepared for the challenging task ahead and remains strongly committed to mitigate the potential impact on our customers' supply chains.

Results have been above budget for both January 2020 and February 2020 and the result for March 2020 is expected to be around the budgeted level.

Outlook

Due to the changed outlook for the global supply chains, transport and logistics markets, we cannot rule out a negative impact on our business and financial performance in the coming months. Given the rapid day-to-day developments in many markets, we are however currently unable to accurately assess the magnitude of this short-term impact.

The Management Board does therefore not give guidance for the 2020 financial year as neither the further course of developments nor the economic implications can be reliably estimated.

Consolidated income statement for the period 1 January – 31 December

Note	DKK'000	2019	*2018
5	Revenue	3,293,078	3,246,316
	Cost of goods sold	-2,671,016	-2,660,838
	Product profit	622,062	585,478
7	Other expenses	-62,285	-82,874
	Gross profit	559,777	502,604
6	Staff costs	-337,519	-339,454
	Operating profit before depreciation, amortisation and special items	222,258	163,150
14, 15	Depreciation	-37,139	-11,871
13	Amortisation and impairment	-108,208	-117,239
	Operating profit before special items	76,911	34,040
8	Special items	-15,407	-13,088
	Operating profit	61,504	20,952
27	Share of profit/loss in joint ventures accounted for under the equity method	0	-986
9	Finance income	2,112	284
10	Finance costs	-60,941	-65,563
	Profit/Loss before tax	2,675	-45,313
11	Income tax expense	-12,903	-2,353
	Loss for the year	-10,228	-47,666
	Attributable to:		
	Non-controlling interests	3,362	2,014
	Shareholders in EET A/S	-13,590	-49,680
	Loss for the year	-10,228	-47,666

*Comparative figures are not adjusted with the impact of implementation of IFRS 16 from 1 January 2019

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

Note	DKK'000	2019	*2018
	Consolidated loss for the year	-10,228	-47,666
	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	-196
	Value adjustments of cash flow hedging instruments on equity	-592	1,270
11	Income tax effect on equity	130	-278
		235	1,689
	Exchange rate differences on translation of foreign operations	2,808	-1,618
	Items that may be reclassified to the consolidated income statement	3,043	71
	Total comprehensive income, net of tax	-7,185	-47,595
	Attributable to:		
	Non-controlling interests	3,525	1,935
	Shareholders in EET A/S	-10,710	-49,530
	Total comprehensive income, net of tax	-7,185	-47,595

*Comparative figures are not adjusted with the impact of implementation of IFRS 16 from 1 January 2019

Consolidated statement of financial position at 31 December

Note	DKK'000	2019	*2018
	ASSETS		
	Non-current assets		
13	Goodwill	648,181	654,584
13	Technology, etc.	13,912	64,500
13	Customer relationships	343,051	389,089
13	Brand	17,963	21,369
14	Property, plant and equipment	46,984	47,484
15	Right-of-use asset	80,817	0
12	Deferred tax assets	4,978	6,667
	Deposits	9,040	9,019
	Total non-current assets	1,164,926	1,192,712
	Current assets		
16	Inventories	261,660	331,287
17	Trade receivables	507,715	506,869
	Income tax receivable	2,562	3,566
	Other receivables	15,006	28,603
	Prepayments	9,809	8,375
18	Cash	27,988	27,325
	Total current assets	824,740	906,025
	TOTAL ASSETS	1,989,666	2,098,737
	EQUITY AND LIABILITIES		
	Equity		
29	Equity attributable to shareholders in EET A/S	357,583	369,782
	Non-controlling interests	7,984	7,033
	Total equity	365,567	376,815
	Liabilities		
	Non-current liabilities		
22	Interest-bearing loans and borrowings	799,473	851,653
22	Lease liabilities	59,066	0
21	Pension obligation	6,586	7,110
12	Deferred tax liabilities	94,863	116,757
	Other payables	4,173	0
	Total non-current liabilities	964,161	975,520
	Current liabilities		
22	Interest-bearing loans and borrowings	94,950	111,154
22	Lease liabilities	23,411	0
19	Trade payables	374,073	445,821
20	Provisions	2,750	2,000
	Income tax payable	24,845	14,853
	Other payables	139,909	169,925
	Prepayments from customers	0	2,649
	Total current liabilities	659,938	746,402
	Total liabilities	1,624,099	1,721,922
	TOTAL EQUITY AND LIABILITIES	1,989,666	2,098,737

*Comparative figures are not adjusted with the impact of implementation of IFRS 16 from 1 January 2019

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

Note	DKK'000	2019	2018
	Operating activities		
	Operating profit/loss	61,504	20,952
	Adjustments to reconcile profit before tax to net cash flows:		
14	Depreciation	37,139	11,871
13	Amortisation and impairment	108,208	117,239
	Other non-cash adjustments	4,657	-4,748
	Working capital adjustments		
	Change in trade and other receivables	28,343	5,167
	Change in inventories	39,257	-33,906
	Change in trade and other payables	-84,580	106,265
		194,528	222,840
	Interest received	507	165
	Interest paid	-54,089	-50,736
	Income tax paid	-21,981	-24,892
	Net cash flows from operating activities	118,965	147,377
	Investing activities		
	Change in deposits, net	8	589
	Purchase of property, plant and equipment	-10,889	-18,888
	Acquisition of activities	0	0
28	Acquisition of subsidiaries	-2,477	-140,263
	Disposal of subsidiary	-47	0
	Net cash flows from investing activities	-13,405	-158,562
	Financing activities		
23	Proceeds from long-term borrowings	0	142,255
23	Repayment of borrowings	-119,404	-51,819
23	Repayment of lease liabilities	-23,491	0
23	Change in credit facilities	42,061	52,890
23	Borrowing costs paid	0	-5,228
	Transactions with shareholders		
	Proceeds from the issue of share capital	1,323	0
	Transactions with non-controlling interests		
	Dividend to non-controlling interests	-1,953	-2,725
	Acquisition of non-controlling interests	-3,433	-4,674
	Net cash flows from financing activities	-104,897	130,699
	Net increase in cash	663	119,514
	Cash and cash equivalents at 1 January	27,325	-92,189
18	**Cash and cash equivalents at 31 December**	27,988	27,325

Consolidated statement of changes in equity for the period 1 January – 31 December

	Share capital	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2019	22,271	-13,675	-3,418	364,604	369,782	7,033	376,815
Profit/loss for the year	0	0	0	-13,590	-13,590	3,362	-10,228
Other comprehensive income	0	2,645	235	0	2,880	163	3,043
Total comprehensive income	0	2,645	235	-13,590	-10,710	3,525	-7,185
Transactions with shareholders							
Capital increase	27	0	0	1,296	1,323	0	1,323
Acquisition of non-controlling interest	0	0	0	-2,812	-2,812	-621	-3,433
Dividend paid	0	0	0	0	0	-1,953	-1,953
Total transactions with shareholders	27	0	0	-1,516	-1,489	-2,574	-4,063
Equity at 31 December 2019	22,298	-11,030	-3,183	349,498	357,583	7,984	365,567

	Share capital	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Total	Non-controlling 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

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 2019 EET A/S annual report on 31 March 2020. The annual report is submitted to the shareholders of EET A/S for approval at the annual general meeting on 31 March 2020.

Changes in accounting policies and disclosures

The Group has applied IFRS 16 for the first time in the financial statements 2019. The nature and effect of the changes as a result of adopting these new accounting standards are described in note 30.

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.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

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.

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.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

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.

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.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

- 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.
- 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.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

Cost of goods sold

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

Other expenses

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

Staff costs

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

The majority of the Group's pension schemes are defined contribution plans where contributions are paid to publicly or privately 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.

Right-of-use assets and lease liabilities

The Group has applied IFRS 16 Leases using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

The Group has applied IFRS 16 to lease contracts related to offices, warehouses and cars. The Group has elected not to recognise right-of-use assets and liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception of a contract entered into on or after 1 January 2019, the Group assesses whether a contract is, or contains, a lease, i.e. the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

Right-of-use assets

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets.

Right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use assets is periodically reduced by any impairment losses and adjusted for certain remeasurement of the lease liability.

Depreciation is as follows:

The right-of-use assets are depreciated over straight line over the expected rent period:

Cars	1-3 years
Office and warehouses	1-5 years

Expense relating to short-term leases and low assets values are expensed in the income statement as other external expenses.

Lease liabilities

The Group measures the lease liability using the Groups incremental borrowing rate. The Group determines its incremental borrowing rate as the weighted average of the interest on its credit facilities.

For contracts entered into on or after 1 January 2019, the Group initially measures the lease liability at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate as at the commencement date. The Groups lease contracts does not include any significant variable payments.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

The Group assesses at lease commencement date whether it is reasonably certain to exercise extension or termination options. If there is a significant event or significant changes in circumstances within the Group's control the Group reassesses whether it is reasonably certain to exercise the options.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate and payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, if the Group changes its assessment of whether it will exercise an extension or a termination option or if there is a revised in-substance fixed lease payment.

Assets-use-of rights and lease liabilities are presented in the balance sheet separately.

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.

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.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

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.

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.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Summary of significant accounting policies (continued)

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.

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.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

4 Significant accounting estimates and judgements (continued)

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 16.

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 17.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

5 Revenue

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

DKK'000	2019	2018
Pro AV & Digital Signage	827,423	729,520
Server, computer and printer parts	670,862	696,432
Surveillance and security	551,830	478,513
Storage & Network	430,185	441,264
POS & Auto-ID	425,487	420,619
Home Entertainment & Lifestyle Electronics	311,786	299,280
Mobile parts and accessories	58,874	157,965
Other	16,631	22,723
Total revenue	3,293,078	3,246,316

At 31 December 2019, the value of products expected to be returned is similar to 31 December 2018 considered insignificant.

6 Staff costs

DKK'000	2019	2018
Wages and salaries	278,334	263,490
Pension costs	3,927	11,731
Other social security costs	37,587	33,651
Other staff costs	17,671	30,582
Total staff costs	337,519	339,454
Average number of employees	589	586

Remuneration of the Executive Board		
Wages and salaries	7,634	6,641
Pensions	436	413
	8,070	7,054
Remuneration of the Board of Directors		
Wages and salaries	780	1,030
Remuneration of key management personnel		
Wages and salaries	7,620	6,737
Pensions	552	484
	8,172	7,221

Key management personnel comprise the CCO, CDO, CSO and the HR director.

The Executive Board and key management personnel are eligible for bonuses, depending on inter-alia EBITDA of operations.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

	DKK'000	2019	2018
7	**Audit fees**		
	Fees to the statutory auditor:		
	Statutory audit	1,958	1,490
	Other assurance services	45	44
	Tax and VAT advisory services	1,696	1,926
	Other services	1,288	562
		4,987	4,022
8	**Special items**		
	Restructuring costs	8,660	1,260
	Strategy costs	6,083	0
	Acquisition and divestment-related costs	664	10,948
	Impairment of investments, etc.	0	414
	Adjustment of contingent consideration	0	466
	Total special items	15,407	13,088
9	**Finance income**		
	Interest income	507	284
	Currency gain, net	1,605	0
	Total finance income	2,112	284
	Total finance income related to financial assets at amortised cost	507	284
10	**Finance costs**		
	Interest on debts and borrowings, etc.	43,040	46,386
	Interest on lease liabilities	3,955	0
	Amortisation of borrowing costs	8,833	8,317
	Other financial expenses	2,954	4,541
	Fair value adjustment of interest rate swap	1,265	592
	Recycle interest rate swap to income statement	894	894
	Currency loss, net	0	4,833
	Total finance costs	60,941	65,563
	Total finance costs related to financial liabilities at amortised cost	55,828	54,704

11 Income tax expense

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

DKK'000	2019	2018
Consolidated income statement		
Current income tax:		
Current income tax charge	-31,369	-19,597
Changes, prior year	-1,824	698
Deferred tax:		
Changes in temporary differences	20,290	16,546
Income tax expense in the income statement	-12,903	-2,353

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

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	-196
Net gain/loss on value adjustment on hedging instruments, deferred tax	130	-278
Income tax charged to other comprehensive income	-66	-474
Profit before tax	2,675	-45,313
Calculated at Denmark's statutory income tax rate of 22.0%	-588	9,969
Tax rate deviations in foreign entities, net	-3,946	-212
Write-down of deferred tax assets related to borrowing costs	342	-1,135
Impairment of goodwill	-2,426	-5,280
Adjustment to prior year	-1,824	125
Tax impact from acquisition-related costs and other permanent differences etc.	-4,461	-5,820
Income tax expense reported in the consolidated income statement	-12,903	-2,353

12 Deferred tax

Deferred tax in 2019 related to the following:

DKK'000	Consolidated statement of financial position	Consolidated income statement/other comprehensive income
Intangible assets	-89,948	25,059
Property, plant and equipment	-2,893	-340
Inventories, etc.	4,434	-1,048
Receivables, etc.	197	-137
Other items	-1,675	-3,244
Deferred tax expense (income)		20,290
Net deferred tax assets (liabilities)	-89,885	
Reflected in the statement of financial position as follows:		
Deferred tax assets	4,978	
Deferred tax liabilities	-94,863	
Deferred tax liabilities, net	-89,885	

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

12 Deferred tax (continued)

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	

The Group has carried forward losses on financial instruments with a taxable value of DKK 3 million (2018: DKK 3 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	2019	2018
Opening balance at 1 January	-110,090	-100,652
Taxable income (expense) during the period recognised in profit or loss	20,291	16.546
Taxable income (expense) during the period recognised in other comprehensive income	130	-278
Deferred tax from acquisition of subsidiaries and activities	0	-25,781
Exchange rate adjustments	-216	75
Closing balance at 31 December	-89,885	-110,090

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.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

13 Intangible assets

DKK'000	Goodwill	Technology, etc.	Customer relation-ships	Brand	Total
Cost at 1 January 2019	678,777	252,944	518,214	34,054	1,483,989
Foreign exchange adjustments	1,168	0	1,143	0	2,311
Disposals	-3,026	0	0	0	-3,026
Cost at 31 December 2019	676,919	252,944	519,357	34,054	1,483,274
Amortisation at 1 January 2019	24,193	188,444	129,125	12,685	354,447
Foreign exchange adjustments	372	0	166	0	538
Amortisation	0	50,588	43,188	3,406	97,182
Disposals	-3,026	0	0	0	-3,026
Impairment	7,199	0	3,827	0	11,026
Amortisation at 31 December 2019	28,738	239,032	176,306	16,091	460,167
Carrying amount at 31 December 2019	648,181	13,912	343,051	17,963	1,023,107
Amortisation period		5 years	12 years	10 years	

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.

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.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

13 Intangible assets (continued)

Impairment test

The Group performed its annual impairment test of goodwill in December 2019. 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
- 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

In 2019, an impairment of DKK 8 million related to Mobile parts and accessories and DKK 3 million relating to CE has been recognised.

At 31 December 2019, 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% (2018: 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 8.2% (2018: 7.0%) has been applied to reflect an expected long-term stock market return of 8.0% (2018: 7.5%) and a risk free rate of -0.2%.

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

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

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:

		2019			
		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	285,556	2%	2%	8,0%	9.7%
Consumer Electronics	78,622	2%	2%	8.5%	10.4%
Surveillance and security	48,860	2%	2%	8.5%	10.5%
Mobile parts and accessories	0	2%	2%	8.1%	10.0%
Pro AV & Digital Signage	93,028	2%	2%	8.5%	10.4%
POS & Auto-ID	55,885	2%	2%	9.0%	11.6%
Storage & Network	73,272	2%	2%	8.5%	10.4%
Other	12,958	2%	2%	7.9%	9.6%
Total	648,181				

In 2019, an impairment of DKK 8 million related to Mobile parts and accessories has been recognised.

		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%
	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.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

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.

	2019					
	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%	-7.0%	2%	-7.0%	8,0%	5.6%
Consumer Electronics	2%	-8.8%	2%	-8.8%	8.5%	7.4%
Surveillance and security	2%	-14.7%	2%	-14.7%	8.5%	10%
Mobile parts and accessories	2%	0.0%	2%	0.0%	8.1%	0%
Pro AV & Digital Signage	2%	-10.8%	2%	-10.8%	8.5%	7.7%
POS & Auto-ID	2%	-3.0%	2%	-3.0%	9.0%	2.3%
Storage & Network	2%	-9.3%	2%	-9.3%	8.5%	7.2%
Other	2%	-5.6%	2%	-5.6%	7.9%	5.4%

	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%

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

14 Property, plant and equipment

DKK'000	2019	2018
Cost at 1 January	68,005	52,520
Additions from acquisition of subsidiaries	0	1,264
Additions	12,030	18,276
Disposals and scrapping	-8,360	-3,906
Foreign exchange adjustments	-278	-149
Cost at 31 December	71,397	68,005
Depreciation and impairment losses at 1 January	20,521	12,092
Depreciation	12,064	12,098
Disposals	-7,935	-3,543
Foreign exchange adjustments	-237	-126
Depreciation and impairment losses at 31 December	24,413	20,521
Carrying amount at 31 December	46,984	47,484

Depreciation in the income statement includes a net loss of DKK 40 thousand in 2019 (2018: gain of DKK 227 thousand) related to disposals of assets.

15 Right-of-use assets

DKK'000	2019
Cost at 1 January	0
Impact by implementation from 1 January 2019	105,310
Disposals	-1,107
Foreign exchange adjustments	641
Cost at 31 December	104,844
Depreciation and impairment losses at 1 January	0
Depreciation	25,134
Disposals	-1,107
Depreciation and impairment losses at 31 December	24,027
Carrying amount at 31 December	80,817

Right-of-use assets comprise rented offices and warehouses with a net booked value DKK 73.1 million and car leases with a net booked value of DKK 7.7 million.

Amounts recognised in the income statement:

DKK'000	2019
Interest related to lease liabilities (included in finance cost)	3,955
Expense relating to leases of low value assets (included in other external expenses)	640
Total	4,595

In 2019, the Group paid DKK 27.4 million related to lease contracts of which DKK 4.0 million related to lease interest and DKK 23.4 million related to repayment of lease liabilities.

16 Inventories

DKK'000	2019	2018
Trading goods	261,660	331,287
Total inventories	261,660	331,287

During 2019, DKK 2.3 million (2018: DKK 5.8 million) was charged to the income statement for damaged, obsolete and lost inventories.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

17 Trade receivables

DKK'000	2019	2018
Trade receivables	507,715	506,869
	507,715	506,869

Trade receivables are non-interest-bearing and generally fall due on 30-45-day terms. At 31 December 2019, trade receivables of an initial value of DKK 2.0 million (2018: DKK 2.5 million) were impaired and fully provided for.

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

DKK'000	2019	2018
At 1 January 2019	6,409	7,639
Additions from acquisition of subsidiaries	0	707
Provision for expected credit losses	1,075	1,022
Utilised	- 1,239	-2,959
At 31 December 2019	6,245	6,409

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

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
2019	507,715	420,395	78,813	4,570	210	3,727
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 2019, approximately 90% of the Group's trade receivables, corresponding to DKK 457 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.

18 Cash

DKK'000	2019	2018
Cash	27,988	27,325
	27,988	27,325

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

At 31 December 2019, the Group's undrawn, committed borrowing facilities totalled DKK 105 million (2018: DKK 147 million). The movements in the bank credit facility is included in the financing activity and not part of net cash.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

19 Trade payables

DKK'000	2019	2018
Trade payables	374,073	445,821
	374,073	445,821

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

20 Provisions

DKK'000	Warranty
At 1 January 2019	2,000
Arising during the year	2,750
Utilised	-2,000
Unused amounts reversed	0
At 31 December 2019	2,750
Included in balance sheet as:	
Non-current liabilities	0
Current liabilities	2,750
At 31 December 2019	2,750

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

21 Pension obligation

DKK'000	Pension liabilities
At 1 January 2019	7,110
Additions	0
Utilised	-524
Foreign exchange adjustments	0
At 31 December 2019	6,586
Included in balance sheet as:	
Non-current liabilities	6,586
Current liabilities	0
At 31 December 2019	6,586

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

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

22 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 2019	Carrying amount 2019
Facility A	Expire up till 2021	3.50%	47,865	46,766
Facility B	Expire up till 2022	4.00%	402,685	393,433
Facility B2	Expire up till 2022	4.00%	30,000	29,311
Acquisition facility	Expire up till 2021	3.50%	329,964	329,963
Lease liability	Expire up till 2024	4.46%	88,751	82,477
Bank overdraft		3.50%	94,950	94,950
			994,215	976,900
Loans and borrowings, non-current			810,514	799,473
Lease liabilities, non-current			61,875	59,066
Loans and borrowings, current			94,950	94,950
Lease liabilities, current			26,876	23,411
			994,215	976,900

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			867,582	851,653
Current			115,098	111,154
			982,680	962,807

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 2019 amounted to DKK 11.040 thousand (2018: DKK 19,873 thousand) and are amortised until the expiry date of the loans. Amortisation in 2019 amounted to DKK 8,833 thousand (2018: DKK 8,317 thousand).

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

23 Financial assets and liabilities

DKK'000	2019	2018
Financial assets at fair value		
Financial instruments measured at fair value (Level 2) 1)	0	358
Financial assets at amortised cost		
Trade receivables	507,715	506,869
Other receivables	15,006	28,603
Cash	27,988	27,325
	550,709	562,797
Financial liabilities at fair value		
Financial instruments measured at fair value (Level 2) 2)	9.510	10,540
Financial liabilities at amortised cost		
Interest-bearing loans and borrowings	894,423	962,807
Lease liabilities	82,477	0
Trade payables	374,073	445,821
Other payables (excluding financial instruments at fair value)	130,401	159,385
	1,481,374	1,568,013

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)	994,215	982,680

Changes in liabilities arising from financing activities

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

DKK'000	2019	2018
Loans and borrowings, non-current	851,653	769,392
Loans and borrowings, current	111,154	163,890
Total, 1 January	**962,807**	**933,282**
Proceeds	0	142,255
Repayments	-119,404	-51,819
Impact by implementation from 1 January 2019 of IFRS 16	105,310	0
Repayment of leases	-23,491	0
Borrowing costs paid	0	-5,228
Amortisation of borrowing costs	8,833	8,317
Change in bank overdrafts	42,061	-65,169
Exchange rate adjustments	784	1,169
Total, 31 December	976,900	962,807
Loans and borrowings, non-current	799,473	851,653
Lease liabilities, non-current	59,066	0
Loans and borrowings, current	94,950	111,154
Lease liabilities, current	23,411	0
Total, 31 December	**976,900**	**962,807**

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

23 Financial assets and liabilities (continued)

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 2019 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 2019 was assessed to be insignificant.

24 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 17.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

24 Financial risk management objectives and policies (continued)

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, and 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. A 10%-change (except for EUR: 1%-change) in relevant currencies, with all other variables held constant, would have impacted revenue and gross profit with the amounts below:

DKK millions	Revenue	Gross profit
SEK	47	7
GBP	39	5
NOK	36	6
EUR	15	2
Other	12	2
Total	**149**	**22**

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 18.4% (2018: 18.0%) at the end of 2019.

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.

DKK'000 **31 December 2019**	**On demand**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Non-derivates:					
Interest-bearing loans and borrowings	0	139,308	828,998	0	968,306
Lease liability		26,876	61,875	0	88,751
Trade payables and other financial liabilities	0	507,715	0	0	507,715
Derivates:					
Interest rate swaps	0	0	9,275	0	9,275
	0	673,899	900,148	0	1,574,047

DKK'000 **31 December 2018**	**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

The senior debt facilities are subject to financial covenants, which include debt and interest coverage ratios and investment ratios. At 31 December 2019, the Group complied with the financial covenants.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

24 Financial risk management objectives and policies (continued)

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 2019 is DKK 1,907 thousand (2018: DKK 2,604 thousand) will be recycled to the income statement during the period until March 2022.

31 December 2019

DKK'000	2019	
Fair value of derivatives	**Assets**	**Liabilities**
Interest rate swaps	0	9,275
Other	0	235

31 December 2018

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

25 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, lease liabilities, 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 2018 and 2019.

DKK'000	2019	2018
Interest-bearing loans and borrowings	894,423	962,807
Lease liabilities	82,477	0
Trade payables	374,073	445,821
Other payables	130,401	159,385
Less cash	-27,988	-27,325
Net debt	1,453,386	1,540,688
Equity	365,567	376,815
Total capital and net debt	1,818,953	1,917,503
Gearing ratio	0.80	0.80

Please refer to note 24 in respect of covenants related to the senior facilities.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

26 Commitments, contingencies and pledges

EET A/S is jointly and severally liable for the Group's bank loans with a nominal value of DKK 905 million (2018: DKK 982 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 29 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.

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 2019
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	100.00%
EET Europarts SAS	Sales company	France	100.00%
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%

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

27 Related party disclosures (continued)

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

2019:

None

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

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.

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

2019:

DKK'000	Dividend	Interest expenses	Loan to EET	Capital contribution
Board of Directors, Executive Board and key management personnel	-	-	-	1,323

2018:

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

The ultimate parent

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

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

28 Business combinations

Acquisitions in 2019

The Group made no acquisitions during 2019.

Consideration paid regarding prior year acquisitions amounted to DKK 2,477 thousand.

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 economy of scales by integrating smaller companies into the larger group.

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

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

28 Business combinations (continued)

Subsequent to 31 December 2019, no further business combinations were made.

Divestments in 2019

The Group made a minor divestment of the subsidiary in Ukraine resulting in a net cash outflow of DKK 47 thousand.

Divestments in 2018

The Group made no divestments during 2018.

29 Issued capital

Authorised shares

DKK'000	2019	2018
A shares	3,750	3,750
B shares	14,799	14,798
C shares	3,749	3,723
	22,298	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
Capital increase, 20 December 2019	27
At 31 December 2018	22,298

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 Changes in accounting policies and disclosures

The Group has implemented all the new or amended accounting standards and interpretations adopted by the EU and applicable for the 2019 financial year.

Implementation impact of IFRS 16

IFRS 16 has been adopted using the modified retrospective approach and therefore the comparative information has not been restated. Comparative figures presented in accordance with IAS 17 and IFRIC 4. The implementation of IFRS 16 has resulted in a change in the presentation of the main part of operational leasing contracts, which from 2019 are recognised on the balance sheet as right-of-use assets with related lease liabilities.

The Group has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group measures the lease liability using the Groups incremental borrowing rate. The Group determines its incremental borrowing rate as the weighted average of the interest on its credit facilities. The weighted average incremental borrowing rate amounted to 4.5% and was applied to the portfolio of leases.

Impact from IFRS 16

The Group has as part of the implementation of IFRS 16 from the 1 January 2019 recognised right-of-use assets of DKK 105,310 thousand and lease liabilities of DKK 105,310 thousand. Impact on equity 1 January 2019 is zero. Right-of-use assets relates to offices and warehouses and cars. The impacts of adopting IFRS 16 on each of the affected line items in the Group's income statement, balance sheet and cash flow statement are shown below:

Impact on income statement

DKK'000	IAS 17	IFRS 16	Net impact
Other expenses	-85,060	-62,285	22,775
Gross profit	**537,002**	**559,776**	**22,775**
Staff costs	-342,190	-337,519	4,672
Operating profit before depreciation, amortisation and special items	194,811	222,258	27,446
Depreciation	-11,988	-37,139	-25,151
Operating profit	59,209	61,504	2,295
Financial costs	-56,986	-60,941	-3,955
Profit before tax	4,335	2,674	-1,660
Tax	-13,268	-12,903	365
Loss for the year	**-8,933**	**-10,228**	**-1,295**

Impact on opening balance

DKK'000	IAS 17	IFRS 16	Net impact
Right-of-use asset	0	105,310	105,310
Lease liabilities	0	105,310	105,310

Impact on cash flow statement

DKK'000	IAS 17	IFRS 16	Net impact
Operating profit/loss	59,209	61,504	2,295
Amortisation and impairment	11,988	37,139	25,151
Interest paid	-56,986	-60,941	-3,955
Net cash flows from operating activities	**95,623**	**119,114**	**23,491**
Repayment of leases	0	-23,491	-23,491
Net cash flows from financing activities	**-81,405**	**-104,896**	**-23,491**

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

30 Changes in accounting policies and disclosures (continued)

Reconciliation of lease liability

DKK'000	
Operational lease obligation as of 31 December 2018 (IAS 17)	45,579
Discounted using the incremental borrowing rate as of 1 January 2019	-2,488
Financial leases at 31 December 2018	43,091
Impact from lease payments under extension options [1)]	62,220
Lease liability recognised as of 1 January 2019 (IFRS 16)	105,311

[1)] Impact from lease payments under extension options that are reasonable certain to be exercised, primarily relating to lease contracts for offices and warehouses. These payments did not quality as future minimum payments under non-cancellable operating leases IAS 17.

31 Standards issued, but not yet effective

IASB has published certain new standards, amendments to existing standards and interpretations that are not yet mandatory as per 31 December 2019, or which are not adopted by the EU as per 31 December 2019.

The Group expects to adopt the new standards and interpretations when they become mandatory.

None of the standards and interpretations are expected to have a material impact on the consolidated financial statements of the Group.

32 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.

As a result of the current global outbreak of coronavirus, supply chains and the global transport and logistics markets are currently seeing a substantial negative impact. The situation continues to evolve but EET is well prepared for the challenging task ahead and remains strongly committed to mitigate the potential impact on our customers' supply chains.

Results have been above budget for both January 2020 and February 2020 and the result for March 2020 is expected to be around the budgeted level.

Due to the changed outlook for the global supply chains and transport and logistics markets, we cannot rule out a negative impact on our business and financial performance in the coming months. Given the rapid day-to-day developments in many markets, we are however currently unable to accurately assess the magnitude of this short-term impact. The Management Board does therefore not give guidance for the 2020 financial year as neither the further course of developments nor the economic implications can be reliably estimated.

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

Note	DKK'000	2019	2018
	Revenue	1,138	1,023
	Gross profit	1,138	1,023
4	Other expenses	-1,498	-790
5	Staff costs	-780	-1,030
	Operating loss before special items	-1,140	-797
6	Special items	-6,083	0
	Operating loss	-7,223	-797
10	Share of loss in subsidiaries after tax	-6,274	-49,063
7	Finance income	108	367
8	Finance costs	-46	-46
	Loss before tax	-13,435	-49,539
9	Income tax expense	-155	-141
	Loss for the year	-13,590	-49,680
	Attributable to:		
	Shareholders in EET A/S	-13,590,	-49,680

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

Note	DKK'000	2019	2018
	Loss for the year	-13,590	-49,680
	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	-196
	Value adjustments of cash flow hedging instruments on equity	-592	1,270
	Income tax effect on equity	130	-278
		235	1,689
	Exchange differences on translation of foreign operations	2,409	-1,539
	Items that may be reclassified to the income statement	2,644	150
	Total comprehensive income, net of tax	-10,946	-49,530
	Attributable to:		
	Shareholders in EET A/S	10,946	-49,530
	Total comprehensive income, net of tax	10,946	-49,530

Parent company statement of financial position at 31 December

Note	DKK'000	2019	2018
	ASSETS		
	Non-current assets		
10	Investments in subsidiaries	357,907	364,112
	Deferred tax asset	195	0
	Total non-current assets	358,102	364,112
	Current assets		
	Receivables from group enterprises	0	5,791
9	Income tax receivable	1,907	429
	Other receivables	1,543	0
	Prepayments	0	30
	Total current assets	3,450	6,250
	TOTAL ASSETS	361,552	370,362
	EQUITY AND LIABILITIES		
	Equity		
	Equity attributable to shareholders in EET A/S	357,583	369,782
	Total equity	357,583	369,782
	Liabilities		
	Current liabilities		
	Trade payables	660	203
	Payables to group enterprises	3,292	0
9	Income tax payable	0	0
	Other payables	17	377
	Total current liabilities	3,969	580
	Total liabilities	3,969	580
	TOTAL EQUITY AND LIABILITIES	361,552	370,362

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

Note	DKK'000	2019	2018
	Operating activities		
	Operating loss	-7,233	-797
	Working capital adjustments:		
	Change in receivables from group enterprises	7,265	270
	Change in trade and other payables	-1,417	160
		-1,385	-367
	Interest received	108	367
	interest paid	-46	0
	Net cash flows from operating activities	-1,323	0
	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	1,323	0
	Net cash flows from financing activities	1,323	0
	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 2019	22,271	0	347,511	369,782
Loss for the year	0	-6,274	-7,316	-13,590
Share of other comprehensive in subsidiaries	0	2,644	0	2,644
Transfer	0	3,630	-3,630	0
Share of other equity transactions	0	0	-2,576	-2,576
Total comprehensive income	0	0	-13,522	-13,522
Transactions with shareholders				
Capital increase	27	0	1,296	1,323
Total transactions with shareholders	27	0	1,296	1,323
Equity at 31 December 2019	22,298	0	335,285	357,583

	Shareholders in EET A/S			
DKK'000	Share capital	Net revaluation under the equity method	Retained earnings	Total equity
Equity at 1 January 2018	22,049	0	400,416	422,465
Loss 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	-52,905	-52,905
Equity at 31 December 2018	22,271	0	347,511	369,782

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	2019	2018
4	**Fees to auditor appointed at the annual general meeting**		
	Statutory audit	330	320
	Other assurance services	45	44
	Tax and VAT advisory services	28	27
	Other services	540	170
	Total	943	561
5	**Staff costs**		
	Wages and salaries	780	1,030
	Total staff costs	780	1,030
	Average number of employees	0	0
	Remuneration to the Executive Management Board and the Board of Directors		
	Wages and salaries	780	1,030
6	**Special items**		
	Strategy costs	6,083	0
	Total special items	6,083	0
7	**Finance income**		
	Interest income, group entities	103	367
	Other financial income	5	0
	Total finance costs	108	367
8	**Finance costs**		
	Other financial expenses	1	46
	Interest expenses, group entities	45	0
	Total finance costs	46	46
9	**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	1,380	50
	Change in deferred tax	195	0
	Adjustment, prior year	-1,730	-191
	Income tax expense in the income statement	-155	-141
	Loss before tax	-13,435	-49,401
	Calculated at Denmark's statutory income tax rate of 22.0%	2,955	10,868
	Adjustments in respect of losses in subsidiary after tax	-1,380	-10,764
	Adjustment, prior year and permanent differences, etc.	-1,730	-245
	Income tax expense reported in the income statement	-155	-141

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

Notes to the financial statements

	DKK'000	2019	2018
10	**Investment in subsidiary**		
	Cost at 1 January	512,840	512,840
	Cost at 31 December	512,840	512,840
	Value adjustment at 1 January	-148,728	-96,519
	Share of loss on ordinary activities after tax	-6,274	-49,063
	Share of other comprehensive income	2,645	150
	Equity adjustments in subsidiaries	-2,576	-3,296
	Value adjustments at 31 December	-154,933	-148,728
	Carrying amount at 31 December	357,907	364,112

Name	Principal activities	Country of incorporation	% equity interest 2019
EET Holdings A/S	Subholding	Denmark	100.00%

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

11 Commitments and pledges

EET A/S is jointly and severally liable for the Group's bank loans which have a nominal value of DKK 905 million (2018: DKK 982 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 29 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.

12 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 24 to the consolidated financial statements for further information on the Group's exposure to the risk.

13 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.

14 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

15 Issued capital

Issued capital is described in note 29 to the consolidated financial statements.

16 Standards issued, but not yet effective

Standards issued, but not yet effective are described in note 31 to the consolidated financial statements.

17 Events after the reporting period

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

As a result of the current global outbreak of coronavirus, supply chains and the global transport and logistics markets are currently seeing a substantial negative impact. The situation continues to evolve but EET is well prepared for the challenging task ahead and remains strongly committed to mitigate the potential impact on our customers' supply chains.

Results in the subsidiaries have been above budget for both January 2020 and February 2020 and the result for March 2020 is expected to be around the budgeted level.

Due to the changed outlook for the global supply chains, transport and logistics markets, we cannot rule out a negative impact on our business and financial performance in the coming months. Given the rapid day-to-day developments in many markets, we are however currently unable to accurately assess the magnitude of this short-term impact.

In the consolidated financial statements of EET A/S, the Management Board does therefore not give guidance for the 2020 financial year as neither the further course of developments nor the economic implications for the EET Group can be reliably estimated.

The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

Jan Holmetoft Iversen
Executive Board
On behalf of: EET A/S
Serial number: PID:9208-2002-2-811470781868
IP: 91.198.xxx.xxx
2020-03-31 07:22:09Z
NEM ID

Jan Holmetoft Iversen
Chairman
On behalf of: EET A/S
Serial number: PID:9208-2002-2-811470781868
IP: 91.198.xxx.xxx
2020-03-31 07:22:09Z
NEM ID

Søren Drewsen
Executive Board
On behalf of: EET A/S
Serial number: PID:9208-2002-2-387626225784
IP: 91.198.xxx.xxx
2020-03-31 07:42:22Z
NEM ID

Per Ove Kogut
Board of Directors
On behalf of: EET A/S
Serial number: PID:9208-2002-2-015847988413
IP: 217.16.xxx.xxx
2020-03-31 07:45:23Z
NEM ID

Bo Rygaard
Board of Directors
On behalf of: EET A/S
Serial number: PID:9208-2002-2-606968733680
IP: 93.163.xxx.xxx
2020-03-31 07:54:33Z
NEM ID

John Thomas
Board of Directors
On behalf of: EET A/S
Serial number: PID:9208-2002-2-515572278614
IP: 87.49.xxx.xxx
2020-03-31 08:46:40Z
NEM ID

Lars Denkov
Board of Directors
On behalf of: EET A/S
Serial number: PID:9208-2002-2-959430351106
IP: 93.167.xxx.xxx
2020-03-31 12:31:02Z
NEM ID

Thomas Broe-Andersen
Board of Directors
On behalf of: EET A/S
Serial number: PID:9208-2002-2-901595814278
IP: 212.27.xxx.xxx
2020-03-31 13:32:22Z
NEM ID

Ole Becker
State Authorised Public Accountant
On behalf of: Ernst & Young P/S
Serial number: CVR:30700228-RID:65669285
IP: 91.100.xxx.xxx
2020-03-31 13:37:42Z
NEM ID

Filip Asmussen
State Authorised Public Accountant
On behalf of: Ernst & Young P/S
Serial number: CVR:30700228-RID:26348584
IP: 77.213.xxx.xxx
2020-03-31 13:41:28Z
NEM ID