BB Electronics Holding ApS

Ane Staunings Vej 21, 8700 Horsens

CVR no. 37 40 70 97

Annual report 2019

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

Chairman:

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Contents

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of BB Electronics Holding ApS for the financial year 1 January - 31 December 2019.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 and of the results of their operations and consolidated cash flows for the financial year 1 January - 31 December 2019.

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

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

Horsens, 11 March 2020
Executive Board:

Carsten Christensen

Board of Directors:

Sven Ruder Chairman	Ole Steen Andersen Vice-chairman	Per Thrane
Folmer Rud Hansen	Casper Lykke Pedersen	

Independent auditor's report

To the shareholders of BB Electronics Holding ApS

Opinion

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December2019 and of the results of the Group's and the Parent Company's operations as well as consolidated cash flows for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Independent auditor's report

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

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

Jes Lauritzen	Kim R. Mortensen
State Authorised	State Authorised
Public Accountant	Public Accountant
mne10121	mne18513

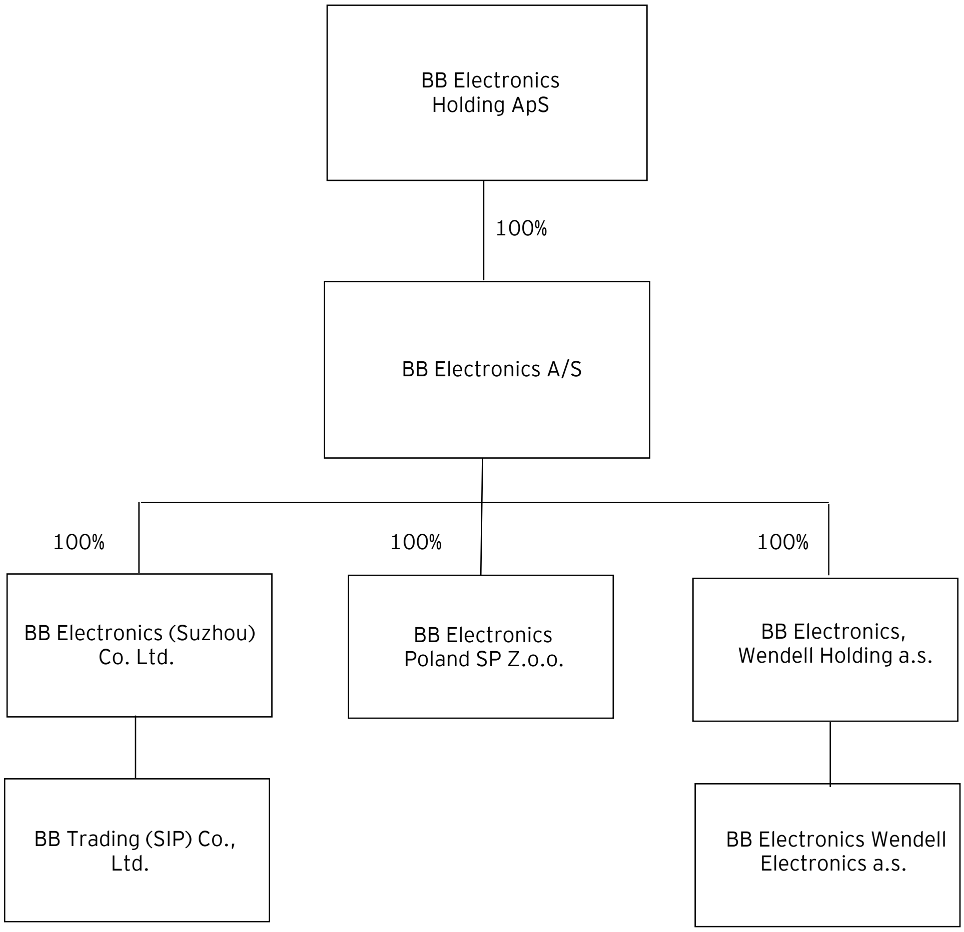
Management's review

Information about the company

Name	BB Electronics Holding ApS
Address, postcode, city	Ane Staunings Vej 21, 8700 Horsens, Denmark
CVR No.	37 40 70 97
Established	28 January 2016
Municipality of residence	Horsens
Financial year	1 January – 31 December
Telephone	+45 76 25 10 00
Fax	+45 76 25 10 10
Subsidiaries	Denmark: BB Electronics A/S, and China: BB Electronics (Suzhou) Co. Ltd. BB Trading (SIP) Co., Ltd. Poland: BB Electronics Poland SP Z.o.o. Czech Republic: BB Electronics, Wendell Holding a.s. BB Electronics, Wendell Electronics a.s.
Board of Directors	Sven Ruder, Chairman Ole Steen Andersen, Vice Chairman Per Thrane Folmer Rud Hansen Casper Lykke Pedersen
Executive Board	CEO Carsten Christensen
Auditor	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, 8000 Aarhus C, CVR No. 30700228

Management's review

Group chart



Management's review

Financial highlights for the Group

DKKm	2019*	2018	2017	2016
Key figures				
Revenue	717,191	560,416	460,396	362,362
EBITDA before special items	60,696	42,195	24,904	26,601
Special items	-8,042	-3,866	-1,012	-209
EBITDA	52,654	38,309	23,892	26,392
Operating profit / loss	39,844	33,473	15,862	18,663
EBIT	39,977	32,520	15,890	18,933
Net financials	-751	-3,280	-516	-1,596
Profit for the year	**29,826**	**25,345**	**18,660**	**15,672**
Fixed assets	103,280	28,086	27,496	28,259
Current assets	374,976	275,518	228,296	212,519
Total assets (balance sheet total)	**478,256**	**303,604**	**255,792**	**240,778**
Share capital	100	100	100	100
Equity	**146,220**	**115,340**	**90,253**	**77,622**
Provisions	6,572	318	202	134
Non-current liabilities	95,847	22,104	33,150	42,105
Current liabilities	229,617	165,842	132,187	120,917
Net interest-bearing debt	44,658	2,079	18,459	20,483
Cash flows from operating activities	69,551	28,292	9,137	43,344
Cash flows from investment activities	-75,879	-6,358	-7,574	-91,987
Of which are invested in property, plant and equipment	-12,350	-5,246	-4,078	-7,024
Cash flows from financing activities	47,506	-13,898	-8,264	85,612
Net cash flows	41,178	**8,036**	**-6,701**	**36,969**
Financial ratios				
EBITDA margin before special items (%)	8.5	7.5	5.4	7.3
EBIT margin (%)	5.6	5.8	3.4	5.2
Return on equity (%)	22.8	24.7	22.2	22.7
Equity ratio (%)	30.6	38.0	35.3	32.2
Average number of full-time employees	**676**	**485**	**484**	**452**

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

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

EBITDA margin:	EBITDA before special items*100 /Revenue
EBIT margin:	EBIT*100 / Revenue
Return on equity:	Profit/loss for the year*100 / Average equity
Equity ratio:	Equity at year end*100 / Total equity and liabilities at year-end

Management's review

Report

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

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

Financial development – Group

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

**DKK 717 million (28 % growth)
in revenue**

In 2019, the Group realised total earnings (EBITDA) before special items of DKK 61 million (2018: DKK 42 million) and a profit after tax of DKK 30 million (2018: DKK 25 million).

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

The balance sheet total for the Group was DKK 478 million at the end of the financial year compared to DKK 304 million last year. The increase is mainly driven by the acquisition of the Wendell Group.

Cash flows from operating activities

Cash flows from operating activities in 2019 amounted to DKK 70 million (2018: DKK 28 million), which is considered satisfactory.

**DKK 70 million (146 % growth)
in positive cash flow from operating activities**

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

Cash flow from investing activities totalled DKK -76 million (2018: DKK 6 million) and relates primary to the acquisition of the Wendell Group. Cash flow from financing activities totalled a positive amount of DKK 48 million, split into new loan of DKK 81 million in connection with the Wendell Group acquisition and payments of interest-bearing debt.

As of 31 December 2019, the net interest-bearing debt is DKK 45 million, while 2018 ended with DKK 2 million.

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

Management's review

Investments

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

Dividends

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

Special items

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

Events after the completion of the financial statements

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

Expected development

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

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

Financial development - parent company

In 2019, there was a total turnover of DKK 0 million (2018: DKK 0 million). Profit after tax was DKK 30 million (2017: DKK 25 million). At the end of the financial year, the balance sheet total amounted to DKK 169 million (2018: DKK 138 million). Equity as of 31 December 2019 amounted to DKK 146 million (2018: DKK 115 million).

Risk conditions

Business risks

The primary business risk faced by the Group is the continued ability to deliver good service and produce quality at competitive prices.

Management regularly evaluates whether BB Electronics has an ample capital structure, and the Board regularly evaluates whether the capital basis is in keeping with the Company's interests and those of its stakeholders. The overall goal is to ensure a capital structure that will support long-term financial growth.

Financial risks

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

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

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

Management's review

Knowledge resources

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

Full-time employees are allocated as follows:

Denmark	18%
China	64%
Czech	18%

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

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

Statutory Declaration of Corporate Social Responsibility

Responsibility

BB Electronics Holding does not have any policies related to human rights, environment, climate, social and employee conditions and anti-corruption as the Board of directors has evaluated that the Holding company does not have any identified risks related to the mentioned topics.

The subsidiary BB Electronics Group has implemented CSR polities and has joined the UN Global Compact in 2010. The progress report for the year was published.

Whistle blowers

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

Goals and policies for gender composition of the Board of directors

The current representation of females at the Board of directors are 0%, and the target is at least 25% in 5 years from now. There were no actual replacements on the Board in 2019.

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

Income statement

		Group		Parent	
Note	DKK'000	2019	2018	2019	2018
2	**Revenue**	717,191	560,416	0	0
3,4	Production costs	-619,453	-481,642	0	0
	Gross profit	97,738	78,774	0	0
4	Distribution costs	-16,856	-12,815	0	0
3,4,5	Administrative costs	-41,038	-32,486	-192	-345
	Operating profit	39,844	33,473	-192	-345
6	Other operating income	136	55	0	0
6	Other operating expenses	-3	-1,008	0	0
	Profit before net financials (EBIT)	39,977	32,520	-192	-345
3,12	Profit from equity investments in subsidiaries after tax	0	0	29,411	25,477
7	Financial income	4,292	486	1,092	82
8	Financial expenses	-5,043	-3,766	-475	-313
	Profit before tax	39,226	29,240	29,836	24,901
9	Tax on profit or loss for the year	-9,400	-3,895	-10	444
	Profit for the year	29,826	25,345	29,826	25,345

20 Appropriation of profit

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

Balance sheet

Note	DKK'000	Group 2019	Group 2018	Parent 2019	Parent 2018
	ASSETS				
	Fixed assets				
10	**Intangible assets**				
	Goodwill	22,893	8,371	0	0
	Software	2,269	2,559	0	0
	Other intangible assets	20,053	1,998	0	0
		45,215	12,928	0	0
11	**Property, plant and equipment**				
	Land and buildings	23,070	0	0	0
	Leasehold improvements	1,196	1,000	0	0
	Plant and machinery	24,913	11,590	0	0
	Other fixtures and fittings	690	879	0	0
	Property, plant and equipment under construction	6,483	0	0	0
		56,352	13,469	0	0
12	**Financial assets**				
	Investments in subsidiaries	0	0	167,419	136,957
	Other receivables	1,363	989	0	0
	Other securities and investments	350	700	350	700
		1,713	1,689	167,769	137,657
	Total fixed assets	103,280	28,086	167,769	137,657
	Current assets				
13	**Inventories**				
	Raw materials and consumables	124,661	110,821	0	0
	Work in progress	18,444	10,166	0	0
	Finished goods and goods for resale	20,042	10,987	0	0
	Prepayments for goods	661	1,029	0	0
		163,808	133,003	0	0
	Receivables				
	Trade receivables	108,286	83,997	0	0
	Other receivables	2,972	1,174	515	0
9	Deferred tax assets	16,982	22,639	292	292
9	Tax receivables	168	753	0	0
	Prepayments	1,858	1,733	0	0
		130,266	110,296	807	292
16	**Cash and cash equivalents**	80,902	32,219	0	0
	Total current assets	374,976	275,518	807	292
	TOTAL ASSETS	478,256	303,604	168,576	137,949

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

Balance sheet

		Group		Parent	
Note	DKK'000	2019	2018	2019	2018
	EQUITY AND LIABILITIES				
	Equity				
14	Share capital	100	100	100	100
	Reserve for net revaluation according to the equity method	0	0	86,809	56,344
	Retained earnings	146,120	115,240	59,311	58,896
	Total equity	146,220	115,340	146,220	115,340
	Provisions				
9	Deferred tax	5,820	0	0	0
	Other provisions	752	318	0	0
	Total provisions	6,572	318	0	0
	Liabilities				
15	**Non-current liabilities**				
	Credit institutions	93,244	21,036	3,592	7,185
	Lease debt	257	401	0	0
	Other non-current debt	2,346	667	0	0
		95,847	22,104	3,592	7,185
	Current liabilities				
	Short-term part of non-current liabilities	29,713	12,194	3,593	3,592
	Trade payables and other accounts payable	129,745	105,693	0	0
	Prepayments from customers	27,267	19,026	0	0
9	Income tax payable	681	102	681	102
	Payables to group entities	0	0	14,326	11,503
	Other payables	42,211	28,827	164	227
		229,617	165,842	18,764	15,424
	Total liabilities other than provisions	325,464	187,946	22,356	22,609
	TOTAL EQUITY AND LIABILITIES	478,256	303,604	168,576	137,949

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

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

Statement of changes in equity

Note	DKK'000	Group		
		Share capital	Retained earnings	Total equity
	Equity at 1 January 2018	100	90,153	90,253
	Value adjustments of hedging instruments after tax	0	132	132
	Exchange rate adjustments of foreign companies	0	-390	-390
	Profit for the year	0	25,345	25,345
	Equity at 1 January 2019	100	115,240	115,340
	Value adjustments of hedging instruments after tax	0	-45	-45
	Exchange rate adjustments of foreign companies	0	1,099	1,099
	Profit for the year	0	29,826	29,826
	Equity at 31 December 2019	100	146,120	146,220

Note	DKK'000	Parent			
		Share capital	Net revaluation reserve according to the equity method	Retained earnings	Total
	Equity at 1 January 2018	100	31,125	59,028	90,253
	Value adjustments of hedging instruments after tax	0	132	0	132
	Exchange adjustments for subsidiary	0	-390	0	-390
20	Profit for the year	0	25,477	-132	25,345
	Equity at 1 January 2019	100	56,344	58,896	115,340
	Value adjustments of hedging instruments after tax	0	-45	0	-45
	Exchange adjustments for subsidiary	0	1,099	0	1,099
20	Profit for the year	0	29,411	415	29,826
	Equity at 31 December 2019	100	86,809	59,311	146,220

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

Cash flow statement

		Group	
Note	DKK'000	2019	2018
	Profit for the year	29,826	25,345
21	Adjustments	23,130	13,025
22	Changes in working capital	20,214	-6,919
	Cash flows from operations	73,170	31,451
9	Income tax paid	-3,619	-3,159
	Cash flows from operating activities	69,551	28,292
	Acquisition of intangible assets	-2,032	-1,013
	Acquisition of property, plant and equipment	-12,350	-5,246
	Acquisition of Wendell Group	-62,201	0
	Change in financial assets	553	-200
	Sale of property, plant and equipment	151	101
	Cash flows from investing activities	-75,879	-6,358
	Interest-bearing debt	-23,925	-10,618
	Loan for Wendell Group acquisition	80,525	0
	Financial income, received	3,200	486
	Financial expenses, paid	-5,043	-3,766
	Deposit	-7,251	0
	Cash flows from financing activities	47,506	-13,898
	Cash flows for the year	41,178	8,036
	Cash at 1 January	32,219	24,315
	Exchange rate adjustment of cash and cash equivalents at 1 January	254	-132
	Cash at 31 December	73,651	32,219

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

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

Notes

1 Accounting policies

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

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

Consolidated financial statements

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

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

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on intra-group transactions are eliminated. Unrealised losses are eliminated in the same way as unrealised gains unless they do reflect impairment.

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

Business combinations

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

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

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

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

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

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

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

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

Notes

1 **Accounting policies (continued)**

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

Foreign currency translation

Foreign currency transactions throughout the year have been converted to the rate in force on the transaction date. Gains and losses arising between rates on transaction and payment days are recognised in the income statement under financial items.

Receivables, liabilities and other monetary items in foreign currencies are converted to the rate on the reporting date.

The exchange rate difference between the reporting date and transaction date is included in the income statement under financial items.

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

Derivative financial instruments

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

Changes in fair value of derived financial instruments classified as and which satisfy the conditions for securing the fair value of an included asset or an included liability are recognised in the income statement together with any changes in the fair value of the secured asset or the secured liability. Changes in fair value of derivative financial instruments classified as and which satisfy the conditions for securing expected future transactions regarding purchases and sales in foreign currencies are included under other receivables or other liabilities and in equity. If the expected future transaction leads to recognition of assets or liabilities, amounts deferred under equity are transferred from equity and recognised in the cost of the asset or liability. Amounts deferred under equity are transferred to the income statement for the period in which the secured item affects the income statement.

Segment information

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

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

Notes

1 **Accounting policies (continued)**

Income statement

Revenue

Net sales from the sale of goods and manufactured products is recognised in the income statement, provided delivery and risk transferral to the buyer has taken place before the end of the year. Net sales are recognised exclusive of value added tax, other taxes and sales-related discounts.

Production costs

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

Distribution costs

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

Other operating income/expenses

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

Profit or loss from equity investments in subsidiaries and associated companies

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

Financial entries

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

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

Notes

1 **Accounting policies (continued)**

Tax on profit or loss for the year

BB Electronics Holding ApS is covered by the Danish rules for compulsory joint taxation. Danish subsidiaries are included in the joint taxation from the time they are included in the consolidated financial statements until the time when they are excluded from the consolidation.

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

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

The tax for the year consists of the current corporate tax and changes in deferred tax for the year due to changes in the tax rate and is recognised in the income statement as the part directly associated with the profit or loss for the year, while tax directly relating can be attributed to items recognised directly in equity.

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

Balance sheet

Intangible assets

Goodwill

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

Software

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

Other intangible assets

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

Property, plant and equipment

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

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

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

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Notes

1 Accounting policies (continued)

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

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

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

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

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

Leasing contracts

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

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

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

Financial assets

Investments in subsidiaries

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

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

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

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Notes

1 Accounting policies (continued)

Impairment of assets

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

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

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

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

Current assets

Inventories

Inventories are calculated at cost based on the FIFO principle. Where cost is higher than the fair value less costs to sell, the value is written down.

Cost for goods, raw materials and consumables are recognised at the purchase price plus delivery costs.

Cost for finished goods and goods-in-process include cost for raw materials, consumables, direct salaries and indirect production costs. Indirect production costs include indirect materials and salaries, maintenance of and depreciation on machines and equipment used in production, and factory administration and management costs.

The fair value less costs to sell for inventories is calculated as the sales price excluding costs of completion and costs related to achieving sales, and is established with due consideration of merchantability, obsolescence and development in expected sales price.

Receivables

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

Prepayments

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

Equity

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

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

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Notes

1 **Accounting policies (continued)**

Income tax and deferred tax

Current tax payables and current tax receivables are recognised in the balance sheet as estimated tax on the taxable income for the year, adjusted for tax from the previous year's taxable income and tax paid on account.

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

Deferred tax is calculated using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Provisions

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

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

Liabilities

Financial liabilities are recognised at the date of borrowing at the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are recognised at amortised cost corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds received and the nominal value is recognised in the income statement throughout the loan period.

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

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

Fair value

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

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

Level 1: Value calculated based on the fair value of similar assets/liabilities in an active market.

Level 2: Value calculated based on generally accepted valuation methods based on observable market information.

Level 3: Value calculated on generally accepted valuation methods and reasonable estimates based on non-observable market information.

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

Notes

1 **Accounting policies (continued)**

Statement of cash flows

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash

Liquid assets include cash and bank deposits.

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Notes

2 Revenue

Distribution of business areas is as follows:

DKK'000	Group 2019	Group 2018
Denmark	335,811	325,230
Other countries	381,380	235,186
	717,191	560,416

3 Special items

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

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

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

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

The parent company recognised DKK -8,042 thousand as part of the result in the subsidiary.

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4 Staff costs and incentive plans

Staff costs are broken down as follows:

	Group		Parent	
DKK'000	2019	2018	2019	2018
Salaries and wages	115,635	95,269	143	135
Pension contributions	11,747	7,735	0	0
Other social security costs	6,692	5,037	0	0
	134,074	108,041	143	135
and are recognised as follows:				
Production costs	108,754	84,712	0	0
Distribution costs	7,934	7,563	0	0
Administrative expenses	17,386	15,766	143	135
	134,074	108,041	143	135
of which remuneration to the Board of Directors and the Executive Board total	3,174	3,008	143	135
Average number of full-time employees	676	485	0	0
Number of permanent employees as of 31 December	691	477	0	0

Incentive programmes

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

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

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

Total fee to EY is:

DKK'000	2019	2018
Statutory audit	562	492
Tax consultancy	31	31
Other services	662	242
	1,255	765

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6 Other operating income and other operating expenses

Other operating income:

	Group		Parent	
DKK'000	2019	2018	2019	2018
Profit on sale of fixed assets	136	55	0	0
Other income	0	0	0	0
	136	55	0	0

Other operating expenses:

	Group		Parent	
DKK'000	2019	2018	2019	2018
Other expenses	-3	-1,008	0	0

7 Financial income

	Group		Parent	
DKK'000	2019	2018	2019	2018
Exchange rate gains	3,026	385	0	0
Other financial income	1,266	101	1,092	82
	4,292	486	1,092	82

Parent company

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

8 Financial expenses

	Group		Parent	
DKK'000	2019	2018	2019	2018
Exchange rate losses	126	1,704	0	0
Other financial expenses	4,917	2,062	475	313
	5,043	3,766	475	313

Parent company

Interest to group entities amounts to DKK 243 thousand (2018: DK 0 thousand).

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9 Income tax and deferred tax

	Group		
DKK'000	Income tax liability	Deferred tax assets	Tax according to income statement
Balance, 1 January 2018	812	24,864	0
Exchange rate adjustments	0	-26	0
Adjustment of deferred tax for the year	0	-2,199	2,199
Income tax paid	-3,159	0	0
Tax related to income for the year	1,696	0	1,696
Balance, 31 December 2018	-651	22,639	3,895
Balance, 1 January 2019	-651	22,639	0
Exchange rate adjustments	0	32	0
Acquisition of new entity	1,144	-5,805	0
Tax regarding equity adjustments	0	0	57
Adjustment of deferred tax for the year	0	-5,704	5,704
Income tax paid	-3,619	0	0
Tax related to income for the year	3,639	0	3,639
Balance, 31 December 2019	513	11,162	9,400
Recognised as per below:			
Assets	-168	16,982	
Liabilities	681	-5,820	
Balance, 31 December 2019	513	11,162	

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

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

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Notes

9 Income tax and deferred tax (continued)

	Parent		
DKK'000	Income tax liability	Deferred tax assets	Tax according to income statement
Balance, 1 January 2018	0	0	0
Adjustment of deferred tax for the year	0	292	-292
Tax regarding equity adjustments	0	0	0
Income tax paid	0	0	0
Tax on income for the year/joint taxation	-152	0	-152
Balance, 31 December 2018	-152	292	-444
Balance, 1 January 2019	-152	292	0
Adjustment of deferred tax for the year	0	0	0
Tax regarding equity adjustments	0	0	0
Income tax paid	10	0	10
Tax related to income for the year	-112	0	0
Balance, 31 December 2019	-254	292	10
Recognised in the balance sheet as follows:			
Income tax payable	0		
Group enterprises	681		
	681		

The deferred tax asset consists of tax loss carryforwards. In 2019 the Parent company has an un-activated tax asset of 0.3 million at their disposal. Withholding tax on the accumulated profit in subsidiaries can be calculated to DKK 2.9 million. The amount has not been recognised in the income statement.

10 Intangible assets

	Group			
DKK'000	Goodwill	Software	Other intangible assets	Total
Cost at 1 January 2019	9,800	24,873	2,803	37,476
Additions from business confirmations	15,699	0	20,166	35,865
Exchange rate adjustments	0	10	0	10
Additions	0	2,032	0	2,032
Disposals	0	-6,444	0	-6,444
Cost at 31 December 2019	25,499	20,471	22,969	68,939
Amortisation at 1 January 2019	-1,429	-22,314	-805	-24,548
Exchange rate adjustments	0	-9	0	-9
Amortisation for the year	-1,177	-2,323	-2,111	-5,611
Reversals of amortisation by the end of the year	0	6,444	0	6,444
Amortisation at 31 December 2019	-2,606	-18,202	-2,916	-23,724
Carrying amount at 31 December 2019	22,893	2,269	20,053	45,215
Amortised over	20 years	3-5 years	5-10 years	

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11 Property, plant and equipment

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

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12 Financial assets

DKK'000	Group Other receivables	Group Other securities and
Cost at 1 January 2019	989	700
Additions	374	0
Disposals	0	-350
Cost at 31 December 2019	1,363	350
Carrying amount at 31 December 2019	1,363	350

DKK'000	Parent Equity invest-ments in subsidiaries	Parent Other receivables
Cost at 1 January 2019	80,613	700
Additions	0	0
Disposals	0	-350
Cost at 31 December 2019	80,613	350
Value adjustments at 1 January 2019	56,344	0
Profit or loss for the year after tax	29,411	0
Exchange rate adjustments	1,099	0
Other	-48	0
Revaluation at 31 December 2019	86,806	0
Carrying amount at 31 December 2019	167,419	350

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

Carrying amount at 31 December 2019 of goodwill and other further values are DKK 48.5 million.

Equity investments in subsidiaries are specified as follows:

	Principal place of business	Share capital	Vote and ownership share
BB Electronics A/S	Denmark	DKK 7,634 thousand	100%
BB Electronics (Suzhou) Co. Ltd.	China	CNY 45,634 thousand	100%
Wendell Holding a.s.	Czech Republic	CZK 2,000 thousand	100%
Wendell Electronics a.s.	Czech Republic	CZK 2,000 thousand	100%
BB Electronics Poland SP Z.o.o.	Poland	PLN 5 thousand	100%

13 Inventories

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

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14 Authorised share capital

As of 31 December, 2019, equity consisted of 100,000 shares of DKK 1 each. The company were founded 28 January 2016 with a share capital of nominal DKK 50,000, which were increased in February 2016 with nominal DKK 50,000, after which equity consist of DKK 100,000.

Incentive programmes

Reference is made to note 4 regarding warrant programmes.

15 Non-current liabilities

Group

Payments due within 1 year are recognised under current liabilities. As of 31 December 2019, non-current liabilities amounted to DKK 95,847thousand (2018: DKK 22,104 thousand). The non-current liabilities mature within 5 years after the reporting date.

Parent company

Payments due within 1 year are recognised under current liabilities. As of 31 December 2019, long-term liabilities amounted to DKK 3,592 thousand (2018: DKK 7,185 thousand). The long-term liabilities mature within 5 years after the reporting date.

16 Contingent liabilities and collateral

Group

BB Electronics A/S' insurance coverage of receivables from sales of goods and services has been provided as security to the Company's banks.

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

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

A company charge security for DKK 80,000 thousand and shares in Wendell Holding a.s. and Wendell Electronics a.s. has been provided as security for payables to credit institutions.

Parent company

The parent company forms a tax group with BB Electronics A/S as of 13 February 2016. The Company is jointly liable with the subsidiary for Danish corporate tax within the tax group. The known net liabilities of companies in the tax group to the Danish Tax and Customs Administration are shown in the parent company's financial statements. Any later corrections of tax group income may result in a higher tax group liability.

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17 **Operating leasing and rental agreements**

Group

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

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

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

Parent company
The parent company has no lease and rental agreements.

18 **Related parties**

BB Electronics Holding ApS' related parties include the following:

Controlling interest	Background	Transactions
No shareholders have majority shares	Shareholder	Board fee – is presented including remuneration to the CEO
BB Electronics A/S Ane Staunings Vej 21 8700 Horsens	Subsidiary	Debt, DKK 14,326 thousand

Ownership

The following shareholder is listed in the list of owners as holding 5% or more of the share capital:

Aramis ApS, Knud Højgaards Vej 9, 2860 Søborg
Slotsbakken Holding ApS, Vældegårdsvej 73 a, 2820 Gentofte
Skovbitt Holding A/S, Holmboes Alle 1 A, 10., 8700 Horsens
Per Thrane Holding ApS, Strandvejen 178, 2920 Charlottenlund
Sven Ruder, Nejs Bjerg 52, 6310 Broager
BB Management 2016 ApS, Ane Stauningsvej 21 C, 8700 Horsens.

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

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

2019

There are no financial contracts to hedge currency translation exposure in the income statement as of 31 December 2019. As of 31 December 2019, the Group entered into the following forward contracts to hedge product purchases:

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

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

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

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

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

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

2018

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

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

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

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

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

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

DKK'000	2019	2018
20 Appropriation of profit/loss		
Reserve for net revaluations according to the equity method	29,411	25,477
Retained earnings	415	-132
	29,826	25,345
21 Statement of cash flows - adjustments		
Depreciation and amortisation of intangible assets and property, plant and equipment	12,677	5,789
Profit on sale of fixed assets	-132	-55
Financial income	-4,292	-486
Financial expenses	5,043	3,766
Tax on profit for the year	9,400	3,895
Changes in provisions	434	116
	23,130	13,025
22 Statement of cash flows – changes in working capital		
Change in receivables, etc.	-9,161	-1,203
Change in inventories	-1,162	-39,434
Change in suppliers and other liabilities, etc.	30,817	33,953
Exchange rate adjustments	-280	-235
	20,214	-6,919