DKT A/S

Fanøvej 6, 4060 Kirke Såby

CVR no. 82 15 14 19

Annual report
for the period 1 October 2018 - 31 December 2019

Approved at the Company's annual general meeting on 4 June 2020

Chairman:

....
Christoph Klein

Building a better working world

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 DKT A/S for the financial year 1 October 2018 - 31 December 2019.

The annual report is 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 Company at 31 December 2019 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 October 2018 - 31 December 2019.

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

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

Kirke Saaby, 4 June 2020
Executive Board:

Christian Emborg
CEO

Board of Directors:

Christoph Klein Chairman	Tim Strube	Christian Emborg

Independent auditor's report

To the shareholders of DKT A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of DKT A/S for the financial year 1 October 2018 - 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 December 2019, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year 1 October 2018 - 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 the 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" (herinafter 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 the 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.

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 the 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 the 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.

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.

Copenhagen, 4 June 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lissen Fagerlin Hammer	Nicklas Rasmussen
State Authorised Public Accountant	State Authorised Public Accountant
mne27747	mne43474

Management's review

Company details

Name	DKT A/S
Address, Postal code, City	Fanøvej 6, 4060 Kirke Såby
CVR no.	82 15 14 19
Established	4 December 1980
Registered office	Lejre
Financial year	1 October 2018 - 31 December 2019
Website	www.dktcomega.dk
Board of Directors	Christoph Klein, Chairman Tim Strube Christian Emborg
Executive Board	Christian Emborg, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights for the Group

DKK	2018/19 15 months	2017/18 12 months	2016/17 12 mdr.(months)	2015/16 12 mdr.(months)	2014/15 12 mdr.(months)
Key figures					
Gross profit	28,355,346	30,178,534	34,034,302	23,080,539	14,657,053
Operating profit/loss	4,689,838	13,639,529	19,963,754	8,369,099	-1,905,018
Net financials	-418,047	-567,040	-473,541	-153,289	-158,220
Profit for the year	**4,314,350**	**10,220,576**	**15,260,745**	**6,405,248**	**-1,553,303**
Total assets	74,307,167	71,223,580	87,746,152	75,880,673	49,486,978
Equity	**46,953,625**	**42,637,448**	**42,131,613**	**31,235,319**	**24,644,498**
Investment in property, plant and equipment	-561,978	-324,284	211,671	0	-485,106
Financial ratios					
Return on assets	6.4%	17.2%	24.4%	13.4%	-3.8%
Current ratio	258.5%	255.6%	194.5%	164.7%	187.7%
Equity ratio	63.2%	59.9%	48.0%	41.2%	49.8%
Return on equity	9.6%	24.1%	41.6%	22.9%	-5.9%
Average number of employees	**27**	**19**	**22**	**21**	**24**

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. For terms and definitions, please see the accounting policies.

Management's review

Business review

Main area of activity

DKT provides a series of products for broadband networks. This is in three main groups: FTTH/FTTB (Fiber To The Home/Fiber To The Building), Coaxial distribution (with focus on DOCSIS 3.1 upgrades and solutions) and Home Networks (with focus on the distribution of broadband services to households, this including Wi-Fi/wireless network). The products are primarily developed by DKT and sold through its own companies or via partners, mainly in Europe.

DKT has more than 40 years of experience with broadband networks. The original basis was to specialize in Coaxial networks, which in approximately year 2000 was enhanced to include fiber optic networks, and most recently to include distribution of broadband services in households. The company will continue to use this historical base as a spring-board for the future, where DKT will develop its position as a partner for operators, installers and Solution Providers. The vision is to improve the standard of living in Europe via improved broadband performance in networks and in the home, and this with focus on quality and innovation.

In the spring of 2019, DKT A/S became a part of BTV Multimedia GmbH. This is an international group of companies with its base in Germany. All companies have the same purpose, namely development and consultancy regarding products and solutions for broadband networks in the broadest sense. In this new cooperative structure, DKT is the international leg in the group, and will thereby apply the group's collective strength. This is a clear strengthening of the possibilities to achieve the vision, and as an extension of this, DKT has established a daughter company in the United Kingdom with the aim of extending the vision in that exciting market.

Activities and economy in the 18/19 financial year

The financial year has been altered to follow the calendar year, and is therefor extended to 15 months for this set of financial results. The year was dominated by reorganization that resulted from inclusion in the BTV group, as well as further improvements in efficiency and integration of DKT Connect A/S and the establishment of DKT Fibercom Ltd in the United Kingdom. The results of the financial year show the effects of this work as well as non-advantageous developments in exchange rates. Seen in relation to this, the financial result is satisfactory. With all these additions, DKT is strengthened for the further development and upgrading of broadband networks in Europe, with focus on the Nordic regions, United Kingdom and Benelux.

Market development

Faster broadband is a developing focus area for the individual citizen and society. This is reflected in the political agenda in Europe with broadband pooling and similar. The central issue in the industry is therefore increased broadband and improved coverage, which are key issues as regards the increasing use of broadband generally and especially as a function of the Corona epidemic. There is a strong and growing demand from private users for increased bandwidth, and operators will compete fiercely as regards increased bandwidth/speed and improved stability. There are big investments to be made in Fibre-To-The-Home (FTTH) networks, and with a many years experience and a good product portfolio to satisfy this demand, DKT is well positioned to contribute to the further expansion thereof.

Development and technology

The possibilities and potential in DKT's traditional areas of focus are developing very positively. The most recent developments in coax (DOCSIS 3.1) provide possibilities for even faster broadband on existing cables, in practice this being 1 Gbps to every home. This means that cable operators with existing Coaxial infrastructures, are to a great degree, competitive in relation to end users' needs for increased speed, so long as they upgrade the electronics in the network. Focus in the FTTH area is to further develop the existing portfolio. This is to further optimise the extension and running of the fibre optic network, which to a great degree, satisfies future needs for broadband services. We also see the need for increased performance, now with speeds up to 10 Gbps per household, and the development department is continually researching the best ways to connect private homes to the fibreoptic network.

Management's review

Quality management

Quality management will continue to be a central element in the company. It is a determining factor, which also in the future will be a recognizing feature of the company. It will be anchored and integrated in the company's routines - from development to delivery. All processes have been optimised and documented, and in the spring of 2020 DKT A/S acquired ISO 9001:2015 certification.

Human resources

There is continued focus to maintain and strengthen the dynamic environment in the company, and this to support its basic values and qualities. DKT will attract and retain the best skills in this area, where the company's customers will encounter cooperative and skilled specialists. DKT will continue to strive to be the best workplace for its employees and the effort to constantly improve this will never cease.

The company still regards itself as one of the most agile, focused and creative suppliers in the industry. This, with a solid economy and high ambitions, will continue to make it a strong partner for its customers.

There is sharp focus on future development and sales, which are naturally linked to the creative process of procuring products and services that connect Europe in the future.

Annual result

Development in the company's result is lower than expected, but still has a positive result of DKK 5.498 before tax. Taking into consideration the comprehensive work regarding the integration, this is a satisfactory result.

Special risks

There are no special risks associated with the company's activities.

Events after the balance sheet date

Following the comprehensive task of documenting and preparing the company's activities, DKT was ISO 9001 certified at the end of April. At the beginning of Q1 Europe was hit by the Corona epidemic which also affected activities at DKT – this is expected to have a significant influence on the results for the first half of 2020, especially as regards international sales. The level is expected to correct itself relatively quickly, and due to increased awareness on broadband and stability, there will possibly be increased investments and possibilities in the industry in the future.

Outlook

The effect of integration in BTV Multimedia, as well as the last part of integration of DKT Connect, will result in increased efficiency and drive in the entire organisation. Furthermore, it is expected that the effort at DKT Fibrecom Ltd in London will have a positive effect as regards developing a position as one of the most flexible and stable suppliers, of amongst other things, Fibre gateways – this by ongoing development in combination with strong support. The position is complemented at DKT by further focus on the portfolio of fibre optic products as well as complete solutions. The high level of activity is expected to continue, and as soon as the Corona effect abates, the company's results are expected to develop positively for the coming year. The activity is driven by consumer and supplier demand for better broadband and is expected to continue in the coming year. DKT is amongst the elite as regards suppliers. Dedication and focus will proceed and will be reflected in the coming year's result.

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Income statement

Note	DKK	Group 2018/19 15 months	Group 2017/18 12 months	Parent company 2018/19 15 months	Parent company 2017/18 12 months
	Gross profit	28,355,346	30,178,534	21,202,184	23,852,461
2	Staff costs	-20,119,265	-15,293,036	-13,553,144	-12,778,025
3	Amortisation/depreciation of intangible assets and property, plant and equipment	-2,319,961	-1,245,969	-1,963,485	-1,242,453
	Profit before net financials	5,916,120	13,639,529	5,685,555	9,831,983
	Income from investments in group enterprises	0	0	24,862	3,020,476
4	Financial income	163,271	251,446	159,613	196,408
5	Financial expenses	-581,318	-818,486	-393,336	-783,486
	Profit before tax	5,498,073	13,072,489	5,476,694	12,265,381
6	Tax for the year	-1,183,723	-2,851,913	-1,162,344	-2,044,804
	Profit for the year	4,314,350	10,220,576	4,314,350	10,220,577

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Balance sheet

Note	DKK	Group 2018/19	Group 2017/18	Parent company 2018/19	Parent company 2017/18
	ASSETS				
	Fixed assets				
7	**Intangible assets**				
	Completed development projects	2,128,003	2,156,797	2,128,003	2,156,797
	Goodwill	1,583,417	0	0	0
	Development projects in progress and prepayments for intangible assets	2,972,144	467,432	2,972,144	467,432
		6,683,564	2,624,229	5,100,147	2,624,229
8	**Property, plant and equipment**				
	Land and buildings	0	2,694,219	0	2,694,219
	Plant and machinery	170,935	119,556	170,935	119,556
	Fixtures and fittings, other plant and equipment	290,459	329,049	181,732	315,516
		461,394	3,142,824	352,667	3,129,291
9	**Investments**				
	Investments in group enterprises	0	0	6,103,733	6,044,047
	Deposits, investments	316,969	0	120,000	0
		316,969	0	6,223,733	6,044,047
	Total fixed assets	7,461,927	5,767,053	11,676,547	11,797,567
	Non-fixed assets				
	Inventories				
	Finished goods and goods for resale	37,404,349	30,602,164	33,950,637	30,602,164
	Prepayments for goods	258,608	0	0	0
		37,662,957	30,602,164	33,950,637	30,602,164
	Receivables				
	Trade receivables	16,261,235	26,713,837	11,684,338	24,770,304
	Receivables from group enterprises	0	17,467	4,740,567	3,242,947
	Deferred tax assets	0	0	0	84,877
	Corporation tax receivable	1,183,039	0	1,084,503	0
	Other receivables	1,190,705	513,398	748,426	270,133
	Prepayments	643,822	595,203	599,003	579,085
		19,278,801	27,839,905	18,856,837	28,947,346
	Cash	9,903,482	7,014,458	6,140,700	1,355,587
	Total non-fixed assets	66,845,240	65,456,527	58,948,174	60,905,097
	TOTAL ASSETS	74,307,167	71,223,580	70,624,721	72,702,664

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Balance sheet

		Group		Parent company	
Note	DKK	2018/19	2017/18	2018/19	2017/18
	EQUITY AND LIABILITIES				
	Equity				
10	Share capital	1,000,000	1,000,000	1,000,000	1,000,000
	Net revaluation reserve according to the equity method	0	0	1,254,235	730,242
	Reserve for development costs	0	0	3,978,115	1,589,579
	Retained earnings	45,953,625	41,637,448	40,721,276	39,317,628
	Total equity	46,953,625	42,637,448	46,953,626	42,637,449
	Provisions				
	Deferred tax	993,000	32,876	961,970	0
	Total provisions	993,000	32,876	961,970	0
	Liabilities other than provisions				
11	**Non-current liabilities other than provisions**				
	Mortgage debt	0	2,940,044	0	2,940,044
	Other payables	502,485	0	367,604	0
		502,485	2,940,044	367,604	2,940,044
	Current liabilities other than provisions				
11	Short-term part of long-term liabilities other than provisions	0	167,478	0	167,478
	Other credit institutions	0	2,534,292	0	2,534,292
	Trade payables	12,312,526	10,033,090	10,856,759	9,995,622
	Payables to group enterprises	9,727,468	0	10,093,753	3,448,012
	Corporation tax payable	495,319	2,961,705	0	2,494,477
	Other payables	3,322,744	9,916,647	1,391,009	8,485,290
		25,858,057	25,613,212	22,341,521	27,125,171
	Total liabilities other than provisions	26,360,542	28,553,256	22,709,125	30,065,215
	TOTAL EQUITY AND LIABILITIES	74,307,167	71,223,580	70,624,721	72,702,664

1 Accounting policies
12 Contractual obligations and contingencies, etc.
13 Collateral
14 Related parties

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Statement of changes in equity

Note	DKK	Group		
		Share capital	Retained earnings	Total
	Equity at 1 October 2018	1,000,000	41,637,448	42,637,448
	Transfer through appropriation of profit	0	4,314,350	4,314,350
	Forreign exchange adjustments	0	1,827	1,827
	Equity at 31 December 2019	1,000,000	45,953,625	46,953,625

Note	DKK	Parent company				
		Share capital	Net revaluation reserve according to the equity method	Reserve for development costs	Retained earnings	Total
	Equity at 1 October 2018	1,000,000	730,242	1,589,579	39,317,628	42,637,449
	Disposals on group enterprise liquidation	0	4,131,304	0	-4,131,304	0
15	Transfer, see "Appropriation of profit"	0	24,862	2,388,536	1,900,952	4,314,350
	Forreign exchange adjustments	0	1,827	0	0	1,827
	Distributed dividend from group enterprises	0	-3,634,000	0	3,634,000	0
	Equity at 31 December 2019	1,000,000	1,254,235	3,978,115	40,721,276	46,953,626

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Cash flow statement

Note	DKK	Group 2018/19 15 months	Group 2017/18 12 months
	Profit for the year	4,314,350	10,220,576
16	Adjustments	3,600,855	2,715,628
	Cash generated from operations (operating activities)	7,915,205	12,936,204
17	Changes in working capital	8,478,836	14,700,274
	Cash generated from operations (operating activities)	16,394,041	27,636,478
	Interest received, etc.	163,271	251,446
	Interest paid, etc.	-581,318	-818,486
	Income taxes paid	-3,873,024	-4,593,522
	Cash flows from operating activities	12,102,970	22,475,916
	Additions of intangible assets	-5,921,644	-1,524,917
	Additions of property, plant and equipment	-561,978	-324,284
	Disposals of property, plant and equipment	3,108,000	2,956,105
	Purchase of financial assets	-196,969	0
	Cash flows to investing activities	-3,572,591	1,106,904
	Dividends paid	0	-9,500,000
	Repayments, long-term liabilities	-3,107,522	-163,024
	Repayments, debt to credit institutions	-2,534,292	-10,687,621
	Cash flows from financing activities	-5,641,814	-20,350,645
	Net cash flow	2,888,565	3,232,175
	Cash and cash equivalents at 1 October	7,014,458	4,277,090
	Foreign exchange adjustments	459	-494,807
18	**Cash and cash equivalents at 31 December**	9,903,482	7,014,458

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Notes to the financial statements

1 Accounting policies

The annual report of DKT A/S for 2018/19 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company.

Control means a parent company's power to direct a subsidiary's financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity's financial and operating decisions.

The consolidated financial statements are prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full.

Foreign currency translation

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

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

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Notes to the financial statements

1 **Accounting policies (continued)**

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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

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

Gross profit

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

External expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	5 years
Goodwill	10 years
Buildings	25 years
Plant and machinery	3-5 years
Fixtures and fittings, other plant and equipment	4-10 years

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Notes to the financial statements

1 **Accounting policies (continued)**

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Land is not depreciated.

Profit from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

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 set to 10 years, due to the investment being strategic.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Notes to the financial statements

1 **Accounting policies (continued)**

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

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

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Investments in subsidiaries

On initial recognition, investments in subsidiaries are measured at cost and subsequently at the proportionate share of the entities' net asset values calculated in accordance with the parent company's accounting policies minus or plus any residual value of positive or negative goodwill calculated in accordance with the purchase method of accounting. Investments in subsidiaries with a negative net asset value are measured at DKK 0 (nil). Receivables from these entities are written down to the extent that they are deemed irrecoverable. A provision is recognised to the extent that the parent company has a legal or constructive obligation to cover the subsidiary's liabilities. Net revaluations of investments in subsidiaries are transferred to the net revaluation reserve according to the equity method where the carrying amount exceeds the acquisition cost.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

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

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Notes to the financial statements

1 Accounting policies (continued)

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

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

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

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

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprises cash balances and bank balances.

Provisions

Provisions comprise anticipated expenses relating to warranty commitments etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date 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.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled in the far future.

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Notes to the financial statements

1 **Accounting policies (continued)**

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. 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 is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

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

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 investments.

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

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

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

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Return on assets	$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

	Group		Parent company	
DKK	2018/19 15 months	2017/18 12 months	2018/19 15 months	2017/18 12 months
2 Staff costs				
Wages/salaries	18,200,439	14,629,771	12,599,772	12,325,433
Pensions	839,546	226,104	362,942	105,608
Other social security costs	161,031	0	161,031	0
Other staff costs	918,249	437,161	429,399	346,984
	20,119,265	15,293,036	13,553,144	12,778,025
Average number of full-time employees	27	19	18	16

Group

Total remuneration to Group Management and Board of Directors : DKK 1,392,375 (2017/18: DKK 1,168,900).

Parent company

Total remuneration to Management and Board of Directors: DKK 1,392,375 (2017/18: DKK 1,168,900).

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Notes to the financial statements

	DKK	Group		Parent company	
		2018/19 15 months	2017/18 12 months	2018/19 15 months	2017/18 12 months
3	**Amortisation/depreciation of intangible assets and property, plant and equipment**				
	Amortisation of intangible assets	1,862,309	851,277	1,636,107	847,761
	Depreciation of property, plant and equipment	457,652	394,692	327,378	394,692
		2,319,961	1,245,969	1,963,485	1,242,453
4	**Financial income**				
	Interest receivable, group entities	0	0	71,383	0
	Other financial income	163,271	251,446	88,230	196,408
		163,271	251,446	159,613	196,408
5	**Financial expenses**				
	Interest expenses, group entities	218,944	4,600	292,054	29,520
	Other financial expenses	362,374	813,886	101,282	753,966
		581,318	818,486	393,336	783,486
6	**Tax for the year**				
	Estimated tax charge for the year	173,919	3,325,887	115,497	2,494,477
	Deferred tax adjustments in the year	1,009,804	-473,974	1,046,847	-449,673
		1,183,723	2,851,913	1,162,344	2,044,804

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Notes to the financial statements

7 Intangible assets

DKK	Group: Completed development projects	Goodwill	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 October 2018	10,192,903	0	467,432	10,660,335
Additions through business aquisitions	0	1,809,619	0	1,809,619
Additions	1,598,307	0	2,513,718	4,112,025
Transferred	9,006	0	-9,006	0
Cost at 31 December 2019	11,800,216	1,809,619	2,972,144	16,581,979
Impairment losses and amortisation at 1 October 2018	8,036,106	0	0	8,036,106
Amortisation for the year	1,636,107	226,202	0	1,862,309
Impairment losses and amortisation at 31 December 2019	9,672,213	226,202	0	9,898,415
Carrying amount at 31 December 2019	2,128,003	1,583,417	2,972,144	6,683,564

Development projects

Completed development projects include the Company's webpage and other IT quipments with a carrying amount of DKK 1,315 which are used for customers to place ordres.

Development projects in progress include product development of a new generation of an existent product group, with a carrying amount of DKK 2,087 thousand.

DKK	Parent company: Completed development projects	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 October 2018	10,192,903	467,432	10,660,335
Additions	1,598,307	2,513,718	4,112,025
Transferred	9,006	-9,006	0
Cost at 31 December 2019	11,800,216	2,972,144	14,772,360
Impairment losses and amortisation at 1 October 2018	8,036,106	0	8,036,106
Amortisation for the year	1,636,107	0	1,636,107
Impairment losses and amortisation at 31 December 2019	9,672,213	0	9,672,213
Carrying amount at 31 December 2019	2,128,003	2,972,144	5,100,147

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Notes to the financial statements

8 Property, plant and equipment

DKK	Group			
	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Total
Cost at 1 October 2018	7,951,420	3,376,645	2,124,317	13,452,382
Foreign exchange adjustments	0	0	56	56
Additions through business aquisitions	0	0	365,150	365,150
Additions	248,305	89,573	0	337,878
Disposals	-8,199,725	0	-80,714	-8,280,439
Cost at 31 December 2019	0	3,466,218	2,408,809	5,875,027
Impairment losses and depreciation at 1 October 2018	5,257,201	3,257,089	1,795,268	10,309,558
Foreign exchange adjustments	0	0	-1,312	-1,312
Additions through business aquisitions	0	0	141,050	141,050
Depreciation	155,400	38,194	264,058	457,652
Reversal of accumulated depreciation and impairment of assets disposed	-5,412,601	0	-80,714	-5,493,315
Impairment losses and depreciation at 31 December 2019	0	3,295,283	2,118,350	5,413,633
Carrying amount at 31 December 2019	0	170,935	290,459	461,394

DKK	Parent company			
	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Total
Cost at 1 October 2018	7,951,420	3,376,645	2,067,091	13,395,156
Additions	248,305	89,573	0	337,878
Disposals	-8,199,725	0	0	-8,199,725
Cost at 31 December 2019	0	3,466,218	2,067,091	5,533,309
Impairment losses and depreciation at 1 October 2018	5,257,201	3,257,089	1,751,575	10,265,865
Depreciation	155,400	38,194	133,784	327,378
Reversal of accumulated depreciation and impairment of assets disposed	-5,412,601	0	0	-5,412,601
Impairment losses and depreciation at 31 December 2019	0	3,295,283	1,885,359	5,180,642
Carrying amount at 31 December 2019	0	170,935	181,732	352,667

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Notes to the financial statements

9 Investments

DKK	Parent company Investments in group enterprises
Cost at 1 October 2018	5,313,806
Additions	4,200,000
Disposals	-4,686,406
Cost at 31 December 2019	4,827,400
Value adjustments at 1 October 2018	730,241
Foreign exchange adjustments	1,827
Dividend received	-3,634,000
Profit/loss for the year	24,963
Reversal of profit on assets disposed	4,153,302
Value adjustments at 31 December 2019	1,276,333
Carrying amount at 31 December 2019	6,103,733

The carrying amount of investments in group entities comprises the share of the net asset value in the group enterprises of DKK 4,515 thousand and goodwill at a carrying amount of DKK 1,583 thousand.

The subsidiary DKT GMBH balance sheet deviates from the DKT A/S. DKT GMBH balance sheet date is 30 September. There have been no material events between the two balance sheet dates.

Parent company

Name	Domicile	Interest
Subsidiaries		
Dansk Kabel Teknik, DKT AB	Sweden	100.00%
DKT GmbH	Germany	100.00%
DKT Connect A/S	Denmark	100.00%

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Notes to the financial statements

10 Share capital

The parent's share capital has remained DKK 1,000,000 over the past 5 years.

11 Non-current liabilities other than provisions

	Group			
DKK	**Total debt at 31/12 2019**	**Repayment, next year**	**Long-term portion**	**Outstanding debt after 5 years**
Other payables	502,485	0	502,485	0
	502,485	0	502,485	0

	Parent company			
DKK	**Total debt at 31/12 2019**	**Repayment, next year**	**Long-term portion**	**Outstanding debt after 5 years**
Other payables	367,604	0	367,604	0
	367,604	0	367,604	0

12 Contractual obligations and contingencies, etc.

Other financial obligations

Group

Rent and lease liabilities include a rent obligation and liabilities under operating leases for cars, totalling DKK 3,971 thousand, with remaining contract terms of 0-7 years.

Parent company

As management company, the Company is jointly taxed with other Danish group entities. The Company is jointly and severally with other jointly taxed group entities for payment of income taxes the income years 2019 and withholding taxes in the group of jointly taxed entities.

Rent and lease liabilities include a rent obligation and liabilities under operating leases for cars, totalling DKK 3,754 thousand, with remaining contract terms of 0-7 years.

13 Collateral

As security for bank commitment, a business charge at the amount of DKK 42,875 thousand has been issued with security in claims, inventories, intellectual rights and fixtures and fittings, tools and equipment.

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Notes to the financial statements

14 Related parties

Group

DKT A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
BTV Multimedia GmbH	Merkurstraße 3 c, D-30419 Hannover Germany	Participating interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
BTV Multimedia GmbH	Merkurstraße 3 c, D-30419 Hannover Germany	The consolidated financial statements are available at the Company

Related party transactions

DKK	2018/19	2017/18
Group		
Interest expenses from parent company	218,944	4,600
Management fee from parent company	877,276	0
Revenue, parent company	1,684,548	0
Receivables from parent company	0	17,467
Payables to parent company	9,611,971	0
Parent Company		
Intra-group revenue	16,602,538	14,116,627
Interest income	71,383	0
Interest cost	292,054	24,920
Management fee, BTV	877,276	0
Management fee received from DKT Connect	905,405	0
Receivables from group enterprises	4,740,567	3,242,947
Payables to group enterprises	10,093,753	3,448,012

Information on the remuneration to management

Information on the remuneration to Management appears from note 2, "Staff costs".

Consolidated financial statements and parent company financial statements 1 October 2018 - 31 December 2019

Notes to the financial statements

		Parent company	
	DKK	2018/19 15 months	2017/18 12 months
15	**Appropriation of profit**		
	Recommended appropriation of profit		
	Extraordinary dividend distributed in the year	0	4,500,000
	Net revaluation reserve according to the equity method	24,862	3,020,476
	Other statutory reserves	2,388,536	1,289,443
	Retained earnings	1,900,952	1,410,658
		4,314,350	10,220,577

		Group	
	DKK	2018/19 15 months	2017/18 12 months
16	**Adjustments**		
	Amortisation/depreciation and impairment losses	2,319,961	1,245,972
	Gain/loss on the sale of non-current assets	-320,876	-1,949,297
	Financial income	-163,271	-251,446
	Financial expenses	581,318	818,486
	Tax for the year	1,183,723	2,851,913
		3,600,855	2,715,628
17	**Changes in working capital**		
	Change in inventories	-6,802,185	9,176,382
	Change in receivables	9,348,068	9,793,845
	Change in trade and other payables	5,932,953	-4,269,953
		8,478,836	14,700,274
18	**Cash and cash equivalents at year-end**		
	Cash according to the balance sheet	9,903,482	7,014,458
		9,903,482	7,014,458

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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."

Christian Emborg
Executive Board
On behalf of: DKT
Serial number: PID:9208-2002-2-786277136695
IP: 83.91.xxx.xxx
2020-06-08 09:26:07Z
NEM ID

Christian Emborg
Board of Directors
On behalf of: DKT
Serial number: PID:9208-2002-2-786277136695
IP: 83.91.xxx.xxx
2020-06-08 10:45:53Z
NEM ID

Tim Strube
Board of Directors
On behalf of: DKT
Serial number: CVR:82151419-RID:58860106
IP: 217.237.xxx.xxx
2020-06-09 06:13:24Z
NEM ID

Christoph Klein
Chairman
On behalf of: DKT
Serial number: CVR:82151419-RID:85516800
IP: 193.159.xxx.xxx
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NEM ID

Christoph Klein
Board of Directors
On behalf of: DKT
Serial number: CVR:82151419-RID:85516800
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2020-06-09 15:56:15Z
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Lissen Fagerlin Hammer
State Authorised Public Accountant
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2020-06-09 20:36:51Z
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