

Despec Nordic Holding A/S

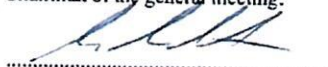
Vassingerødvej 25, 3540 Lyngø

CVR no. 27 98 30 81

Annual report 2019

Approved at the Company's annual general meeting on 30/9-20

Chairman of the general meeting:



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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Despec Nordic Holding A/S for the financial year 1 January – 31 December 2019.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2019 and of the results of the Group's and the Company's 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 Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

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

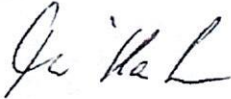
Lynge, 30. september 2020

Executive Board:

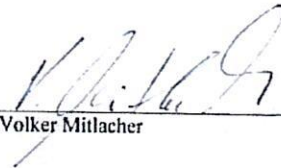


Michael S. Voll
CEO

Board of Directors:



Michael Mitlacher



Volker Mitlacher



Michael Voll

Independent auditors' report

To the shareholders of Despec Nordic Holding A/S

Auditors' Report on the consolidated financial statements and the financial statements of Despec Nordic Holding A/S

Opinion

We have audited the consolidated financial statements and Parent Company financial statements of Despec Nordic Holding A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, notes including accounting policies, for both the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the Parent Company financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 and of the results of the Group's and the Parent Company's operations as well as the 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 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" section of our report. We are independent of the company 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the Parent Company financial statements

Management is responsible for the preparation of consolidated financial statements and the 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 the consolidated financial statements and the Parent Company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the Parent Company 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 consolidated financial statements and the Parent Company financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements and the Parent Company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the Parent Company 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 these consolidated financial statements and the Parent Company financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the Parent Company 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.

Independent auditors' report

- 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 consolidated financial statements and the Parent Company 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 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 consolidated financial statements and the Parent Company 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the Parent Company financial statements, including the disclosures, and whether the consolidated financial statements and the Parent Company 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 and the Parent Company to express an opinion on the consolidated financial statements and the Parent Company 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 management's review

Management is responsible for management's review.

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

In connection with our audit of the consolidated financial statements and the Parent Company financial statements, our responsibility is to read management's review and, in doing so, consider whether 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 management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the consolidated financial statements and the Parent Company 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 Management's review.

Independent auditors' report

Report on other legal and regulatory requirements

VAT-law


With reference to note 16 to the consolidated financial statements and the parent company financial statements, there is an unresolved matter regarding credit notes which the subsidiary Despec Denmark A/S received from a supplier from the period 2013-2016, which according to Management are issued incorrectly and has been rejected. There is a risk however that

Management can be held liable for the matter with reference to the VAT-regulation. Despec Denmark has contacted the tax authorities after the balance sheet date for the purpose of clarifying the matter.

Copenhagen, 30. September 2020

Rödl & Partner Danmark

Godkendt Revisionsaktieselskab
CVR no. 39 18 86 78


Gitte Henckel
statsautoriseret revisor
MNE no. mne32734



Claus D. Bishaw-Witt
statsautoriseret revisor
MNE no. mne10028

Management's review

Company details

Name	Despec Nordic Holding A/S
Address, zip code, city	Vassingerødvej 25, 3540, Lyngø
CVR no.	27 98 30 81
Established	29 July 2004
Registered office	Allerød
Financial year	1 January – 31 December
Website	www.despec.dk
E-mail	info@despec.dk
Telephone	45 76 47 00
Board of Directors	Michael Mitlacher, Chairman Volker Mitlacher Michael S. Voll
Executive Board	Michael S. Voll
Auditors	Rödl & Partner Danmark A/S Winghouse Ørestads Boulevard 73 2300 København S

Management's review**Financial highlights for the Group**

EUR'000	2019	2018	2017	2016	2015
Key figures					
Revenue	135,069	138,152	153,163	165,590	190,387
Gross profit	9,783	10,136	10,721	13,078	15,163
Operating profit	644	703	25	1,997	4,248
Profit/loss from financial items	-75	-127	-100	160	-276
Profit for the year	443	460	-126	1,614	2,979
Balance sheet					
Total assets	41,451	33,808	36,995	38,411	38,121
Investment in fixed assets	6,674	12	186	378	253
Equity	12,981	12,609	12,147	13,463	13,489
Cash flow					
Cash flow from operating activities	-2,050	4,283	-1,229	4,753	6,714
Net cash flow from investing activities	-6,658	-4	-213	-957	-1,956
Cash flow from financing activities	8,712	-4,283	1,362	-4,189	-4,273
Total cash flow	4	-4	-80	-393	485
Financial ratios					
Operating margin	0,48%	0,51%	0,02%	1,21%	2,23%
Gross margin	7,24%	7,34%	7,00%	7,90%	7,96%
Solvency ratio	31,32%	37,30%	32,83%	35,05%	35,38%
Return on equity	3,46%	3,72%	-0,98%	11,98%	24,90%
Average number of full-time employees					
	128	136	156	161	167

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

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$

Management's review

Operating review

Principal activities of the Group

Despec Nordic Holding A/S' activities comprises trade and distribution of office and it-supplies to the whole-sale segment in the Nordic market.

The activities in Iceland are carried out through a branch owned by Despec Denmark A/S.

Despec Nordic Holding A/S is the parent company for the following subsidiaries:

- Despec Denmark A/S
- Despec Sweden AB
- Despec Norway AS
- Despec Finland Oy
- AB Thure Bünger

Development in activities and financial matters

With effect from 2. January 2019, the German distributor System AG acquired 100% of the share capital in Despec Nordic Holding A/S.

Despec' first year as part of System AG has shown good opportunities to develop the group's position in the Nordic market.

The continued cost reduction and efficiency projects of recent years have had a good effect on the result in 2019. Last years merger of the two financial departments (in Denmark and in Sweden) into one Nordic shared service department in Lyngø, Denmark, have also shown good results.

With a positive development in several product categories, Despec achieved an increase in net revenue of 0.8% compared to management's expectations at the beginning of the year. With a net revenue of 135.1 mEUR, 2019 was 2.2% below the level for 2018.

In 2019, Despec Denmark A/S acquired the property in Denmark which the company has rented for the past many years (since 2011). This, together with the introduction of a new workflow system (electronic invoice document scanning) and organizational adjustments, has contributed to the group's cost level being reduced by 4.7% compared with 2018.

The group achieved a profit after tax of 443 tEUR in 2019, which was 17 tEUR below the result for 2018.

Outlook

Management expects that Despec with the strong support of System will be able to take advantage of new market opportunities in the Nordic region over the next coming years, and that the group will continue to be one of the most attractive business partners in the industry with efficient customized logistics solutions.

Before Covid19 hit the world, it was the management's expectation that the group in 2020 would achieve a profit for the year in the range of 700 - 800 tEUR. The development has subsequently not given the management any reason to change this view.

Risks

General risks

The general operating risks for the Despec Nordic Holding Group comprises the competition parameters price, mix of products and delivery time. All parameters are optimized on an ongoing basis, based on marked development, the demand from customers and actions from the competitors.

Currency risks

The group invoices customers in DKK, ISK, SEK, NOK and EUR. Purchases are essentially carried out in EUR. Currency risks in SEK and NOK are largely secured through derivatives. Due to the international suspension of ISK as a trading currency, the exchange rate for ISK is based on the Icelandic national bank, Sedlabankis, official exchange rate.

Credit risks

Credit risks relates to trade receivables. According to the Groups credit policy all customers are being credit rated and if possible insured through an external insurance company.

Management's review

Operating review

Corporate responsibility

Despec Nordic Holding A/S (Despec) is a company with subsidiaries in five countries, Denmark, Sweden, Norway, Finland and Iceland. Despec focuses on wholesale of IT and office supplies from various suppliers, which Despec re-sells to customers on the Nordic market. Despec operates from three warehouses, in Lyngø, Denmark, in Stockholm, Sweden and in Reykjavik Iceland, respectively, and holds sales offices in each of the five Nordic countries. The group consists of 128 employees.

Despec purchases IT, office supplies etc. from various suppliers, including e.g. HP, Canon, Samsung, Xerox, Ricoh, Panasonic, Toshiba etc. In the production of such products, the most material sustainability issues are in most cases related to social conditions at the factories as well as causing harm to the environment, when abolishing waste. After the production of the products, Despec purchases the products, which are then transported from the manufactures to Despec' warehouses. In this step of the value chain, the main sustainability risks are related to causing harm to the environment from transporting the products, risk of corruption in terms of facilitation payments and the risk of poor social conditions for transporters.

When the products arrive at the warehouses, the group sells the products to customers in the Nordic countries. The group has no production, neither is it responsible for maintenance of the products. At the group's warehouses the most material sustainability issues includes handling of electronic equipment and hazardous waste as well as the employees wellbeing and safe working environment. When products are sold to customers, some of the most material sustainability issues are related to the risk of causing harm to the environment through the end-use of the products and the handling of the products after use.

Environment and climate

The group's climate and environmental policy is to reduce the group's carbon footprint and handle resources with care for the environment. The group has identified several environmental and climate risks with regards to its supply chain, its own business and the end-use of its products. To start with, the group has focused on reducing its own carbon footprint by reducing energy consumption in its own buildings and better handle waste, in particular electronic waste.

The group work constantly to reduce the energy consumption in the warehouses in Lyngø and Stockholm, and work also constantly on reducing the use of packaging material. This has resulted in a lower energy consumption over the recent years.

The most material environmental risk is assessed to be related to electronic waste. Like previous years the group has in 2019 focused on waste being handled responsibly and recycled to the extent possible. The group is a member of Elretur, which is a private association of manufactures and distributors in charge of collecting and handling electronic waste in Denmark and El-Kretsen, which is a Swedish system designed to ensure an efficient and co-friendly handling of electronics and batteries in Sweden. In 2019, all the groups electronic waste was handled by Elretur in Denmark and El-Kretsen in Sweden.

Social and labour conditions

The group values its employees and works to create and sustain a friendly work environment for its employees. There are, however, risks of employees resigning, employees experiencing stress, or physical attrition of employees carrying heavy equipment in the process of receiving the products from the manufactures and transporting the products to the customers. In order to reduce the risk of employees resigning, the group is committed to creating a productive work environment, which allows employees to engage in challenging tasks and at the same time have a reasonable work-life balance. The group carries out employee development interviews each year, and follows up on issues discussed in the interviews afterwards. In 2019, the group performed interviews with all employees.

Human rights and supply chain

The group is committed to minimize the risks of violating human rights. The main human rights risks are at this stage assessed to be related to the supply chain of the group and the risk of violating the right to privacy by storing private personal customer information. To minimize the risk of violating human rights, the issue is part of the consideration when entering new cooperation agreements. Sensitive personal data is handled with utmost caution, and we have not become aware of any violation of our data protection policies.

Management's review

Operating review

Business ethics and anti-corruption

In the group, we are committed to business ethics and fair business practices. The group has assessed the main risks related to corruption and business ethics to be related to our supply chain as well as gifts and entertainment in our own business. As a start, Despec is addressing the risk related to gifts and entertainment within its own group. The group has a policy to neither give nor accept gifts or entertainment that could influence business decisions.

An employee handbook including a gift policy, has been distributed to all staff in Denmark, Sweden and Norway. A similar employee handbook is under preparation and is intended to be distributed to all staff in Finland (4) and Iceland (3).

Diversity

The Board of Directors for Despec Nordic Holding A/S consists of three men and nil women. The intention is to have one woman in the Board of Directors no later than 2025 - the intention has not been reached yet. There has been no election of new members to the Board of Directors since the new board was established in January 2019 as a consequence of new owners of Despec Nordic Holding A/S.

Despec Nordic Holding A/S has less than 50 employees and have assessed no importance of drawing a policy for gender composition for other management levels in accordance with Article 139a part 6 in The Danish Companies Act.

In order to minimize the risk of human rights violations, the point is part of the consideration when the group concludes agreements with partners. In addition, the group continuously focuses on securing the protection of sensitive data, and the group has initiated a review of the area to ensure that the group's protection of sensitive data is optimal.

Operating review for the parent company

The parent company's revenue amounted to 0 tEUR in 2019 (2018: 0 tEUR). The parent company's profit after tax amounted to 443 tEUR in 2019 (2017: 460 tEUR).

The parent company's equity amounted to 12,981 tEUR per 31 December 2019 (31 December 2018: 12,609 tEUR).

Besides the above mentioned, no other issues regarding the parent company are relevant which are not mentioned in the operating review for the Group.

**Consolidated financial statements and parent company financial statements
for the period 1 January – 31 December**

Income statement

Note	EUR'000	Consolidated		Parent company	
		2019	2018	2019	2018
2	Revenue	135,069	138,152	0	0
	Other operating income	0	0	138	138
	Cost of goods sold	-121,832	-124,231	0	0
3	Other external costs	-3,454	-3,785	-170	-173
	Gross profit/loss	9,783	10,136	-32	-35
4	Staff costs	-8,581	-8,921	0	0
	Depreciation	-558	-512	0	0
	Operating profit/loss	644	703	-32	-35
	Share of profit in subsidiaries after tax	0	0	483	531
5	Financial income	525	399	219	189
6	Financial expenses	-600	-526	-240	-245
	Profit before tax	569	576	430	440
7	Tax on profit for the year	-126	-116	13	20
	Profit for the year	443	460	443	460

**Consolidated financial statements and parent company financial statements
for the period 1 January – 31 December**

Balance sheet

Note	EUR'000	Consolidated		Parent company	
		2019	2018	2019	2018
	ASSETS				
	Non-current assets				
8	Intangible assets				
	Goodwill	379	454	0	0
	Software	18	193	0	0
	Licenses	0	0	0	0
		<u>397</u>	<u>647</u>	<u>0</u>	<u>0</u>
9	Property, plant and equipment				
	Property	6,416	0	0	0
	IT-equipment	35	82	0	0
	Fixtures and fittings, tools and equipment	196	217	0	0
	Leasehold improvements	0	0	0	0
		<u>6,647</u>	<u>299</u>	<u>0</u>	<u>0</u>
	Investments				
10	Investments in subsidiaries	0	0	16,550	16,138
		<u>0</u>	<u>0</u>	<u>16,550</u>	<u>16,138</u>
	Total non-current assets	<u>7,044</u>	<u>946</u>	<u>16,550</u>	<u>16,138</u>
	Current assets				
	Inventories				
	Finished goods and goods for resale	14,083	14,190	0	0
		<u>14,083</u>	<u>14,190</u>	<u>0</u>	<u>0</u>
	Receivables				
	Trade receivables	18,055	16,677	0	0
	Receivables from subsidiaries	0	0	6,085	3,705
	Corporation tax	159	227	71	51
	Other receivables	969	932	0	0
11	Deferred tax asset	154	128	0	0
	Prepayments	856	581	77	97
		<u>20,193</u>	<u>18,545</u>	<u>6,233</u>	<u>3,853</u>
	Cash at bank and in hand	<u>131</u>	<u>127</u>	<u>0</u>	<u>0</u>
	Total current assets	<u>34,407</u>	<u>32,862</u>	<u>6,233</u>	<u>3,853</u>
	TOTAL ASSETS	<u>41,451</u>	<u>33,808</u>	<u>22,783</u>	<u>19,991</u>

**Consolidated financial statements and parent company financial statements
for the period 1 January – 31 December**

Balance sheet

Note	EUR'000	Consolidated		Parent company	
		2019	2018	2019	2018
		EQUITY AND LIABILITIES			
		Equity			
12	Share capital	796	796	796	796
	Reserve for net revaluation under the equity method	0	0	6,355	5,943
	Retained earnings	12,185	11,813	5,830	5,870
	Total equity	12,981	12,609	12,981	12,609
		Provisions			
13	Deferred tax	506	629	0	0
	Total provisions	506	629	0	0
		Liabilities other than provisions			
14	Non-current liabilities other than provisions				
	Loan, related parties	5,830	0	0	0
		5,830	0	0	0
		Current liabilities other than provisions			
14	Current portion of non-current liabilities other than provisions	440	0	0	0
	Bank loans and overdrafts	9,787	7,345	9,787	7,345
	Trade payables	3,553	4,954	0	28
	Trade payables, related parties	271	0	0	0
	Corporation tax	74	72	0	0
	Other payables	8,009	8,199	15	9
		22,134	20,570	9,802	7,382
	Total liabilities other than provisions	27,964	20,570	9,802	7,382
	TOTAL EQUITY AND LIABILITIES	41,451	33,808	22,783	19,991
1	Accounting policies				
15	Contractual obligations and contingencies etc				
16	Contingent liability				
17	Collateral				
18	Related party disclosures				
22	Currency risks and use of derivative financial instruments				

**Consolidated financial statements and parent company financial statements
for the period 1 January – 31 December**

Statement of changes in equity

EUR'000	Consolidated			
	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2018	796	11,351	0	12,147
Transferred; see profit appropriation, note 20	0	460	0	460
Currency translation adjustments, foreign subsidiaries	0	-30	0	-30
Value adjustments of hedging instruments at 31 December	0	32	0	32
Equity at 1 January 2019	796	11,813	0	12,609
Transferred; see profit appropriation, note 20	0	443	0	443
Currency translation adjustments, foreign subsidiaries	0	-10	0	-10
Value adjustments of hedging instruments at 31 December	0	-61	0	-61
Equity at 31 December 2019	796	12,185	0	12,981

EUR'000	Parent company				
	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividends	Total
Equity at 1 January 2018	796	5,410	5,941	0	12,147
Transferred; see profit appropriation, note 20	0	531	-71	0	460
Currency translation adjustments, foreign subsidiaries	0	-30	0	0	-30
Value adjustments of hedging instruments at 31 December	0	32	0	0	32
Equity at 1 January 2019	796	5,943	5,870	0	12,609
Transferred; see profit appropriation, note 20	0	483	-40	0	443
Currency translation adjustments, foreign subsidiaries	0	-10	0	0	-10
Value adjustments of hedging instruments at 31 December	0	-61	0	0	-61
Equity at 31 December 2019	796	6,355	5,830	0	12,981

**Consolidated financial statements and parent company financial statements
for the period 1 January – 31 December**

Cash flow statement

Note	EUR'000	Consolidated	
		2019	2018
	Operating profit	644	703
18	Adjustments of non-cash operating items	467	695
	Cash generated from operations before changes in working capital	1,111	1,398
19	Changes in working capital	-2,903	3,512
	Cash generated from operations (operating activities)	-1,792	4,910
	Interest paid/received	-64	-336
	Cash generated from operations (ordinary activities)	-1,856	4,574
	Corporation tax paid	-194	-291
	Cash flow from operating activities	-2,050	4,283
	Acquisition of intangible assets	-3	-10
	Acquisition of property, plant and equipment	-6,674	-12
	Disposal of property, plant and equipment	19	18
	Cash flow from investing activities	-6,658	-4
	Change in bank loans and overdrafts	2,112	-3,978
	New loan, related parties	6,600	0
	Repayment on non-current liabilities	0	-305
	Cash flow from financing activities	8,712	-4,283
	Net cash flow from operating, investing and financing activities	4	-4
	Cash at 1 January	127	131
	Cash at 31 December	131	127

The cash flow statement can not be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Despec Nordic Holding A/S for 2019 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

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

The consolidated financial statement and the parent company financial statements are presented in EUR.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Despec Nordic Holding A/S, and subsidiaries in which Despec Nordic Holding A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Foreign currency translation

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

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

Derivatives

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Changes in the fair value of derivative financial instruments used to hedge net investments in independent foreign subsidiaries or associates are recognised directly in equity.

Income statement

Revenue

Income from the sale of goods for resale is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured 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 ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Other operating income

Other operating income comprises items secondary to the activities of the enterprises, including intercompany fees.

Cost of goods sold

Cost of goods sold comprises direct cost of goods sold, shipping costs and received discounts from suppliers.

Other external costs

Other external costs comprise costs such as rent, office expenses, external counselling and similar.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Staff costs

Staff costs include salaries and wages, including holiday pay and pensions as well as other costs for social security, etc. to the employees. Remuneration received from public authorities is deducted from staff costs.

Depreciation

Depreciations include the year's depreciation and amortisation of intangible and tangible assets.

Profits/losses from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit for the year

Despec Nordic Holding A/S is covered by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements and up to the date on which they exit the consolidation.

Despec Nordic Holding A/S is the administrative company for the joint taxation in 2019 and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year – including changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised on a straight-line basis over a maximum amortisation period of 10 years.

Software

Software are measured at cost and amortised on a straight line basis over 3 years based on its estimated life cycle.

Licences

Licences are measured at cost and amortised on a straight line basis over the license period with a maximum of 8 years.

Property, plant and equipment

Property, IT-hardware, fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Property	10-50 years
IT-hardware	3-5 years
Fixtures and fittings, tools and equipment	3 years
Leasehold improvements	3 years

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

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingencies, etc.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured under the equity method.

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Investments in subsidiaries and associates with negative net asset values are measured at 0 EUR, and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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

Inventories

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

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

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

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made based on an individual assessment.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's and the Group's credit risk management policy. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of 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 comprise costs incurred concerning subsequent financial years.

Cash

Cash include bank deposits and cash in hand.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method. The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under Equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax, receivable" or "Corporation tax, payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, 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 and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the 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.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash flow statement

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

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flow from investing activities. Cash flow from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flow from disposals of enterprises are recognised up until the date of disposal.

Cash flow from operating activities

Cash flow from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flow from investing activities

Cash flow from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

Cash flow from financing activities

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

Cash

Cash comprise bank deposits and cash in hand.

2 Segment information

It is the assessment of the Management that the groups markets do not differ from each other despite their geographical location. Based on this, and in accordance with the Danish Financial Statements Act § 96, no segment information is disclosed.

EUR'000	Consolidated		Parent company	
	2019	2018	2019	2018
3 Fees paid to auditors appointed at the annual general meeting				
Total fees to Auditor	88	74	19	15
Fee regarding statutory audit	83	69	19	15
Other assistance	5	5	0	0
	88	74	19	15

**Consolidated financial statements and parent company financial statements
for the period 1 January – 31 December**

Notes to the financial statements

EUR'000	Consolidated		Parent company	
	2019	2018	2019	2018
4 Staff costs and incentive programmes				
Wages and salaries	6,842	6,973	0	0
Pensions	656	687	0	0
Other social security costs	962	1,098	0	0
Other staff costs	121	163	0	0
	<u>8,581</u>	<u>8,921</u>	<u>0</u>	<u>0</u>
Average number of full-time employees	<u>128</u>	<u>136</u>	<u>0</u>	<u>0</u>

In accordance with the Danish Financial Statements Act § 98b remuneration of the parent company Executive Board and Board of Directors are not disclosed.

EUR'000	Consolidated		Parent company	
	2019	2018	2019	2018
5 Financial income				
Included in Financial income is interest income from subsidiaries with	0	0	185	172
	<u>0</u>	<u>0</u>	<u>185</u>	<u>172</u>
6 Financial expenses				
Included in Financial expenses is interest expense to subsidiaries with	0	0	5	2
Included in Financial expenses is interest exp. to related parties with	59	0	0	0
	<u>59</u>	<u>0</u>	<u>5</u>	<u>2</u>
7 Tax on the profit for the year				
Current tax for the year	264	254	-12	-20
Adjustment of deferred tax	-139	-139	0	0
Adjustment regarding previous years	1	1	-1	0
	<u>126</u>	<u>116</u>	<u>-13</u>	<u>-20</u>

**Consolidated financial statements and parent company financial statements
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Notes to the financial statements

8 Intangible assets

EUR'000	Consolidated			
	Goodwill	Software	Licenses	Total
Cost at 1 January 2019	2,268	983	650	3,901
Additions	0	3	0	3
Disposals	-165	0	0	-165
Cost at 31 December 2019	2,103	986	650	3,739
Amortisation at 1 January 2019	1,814	790	650	3,254
Amortisation during the year	75	178	0	253
Disposals	-165	0	0	-165
Amortisation at 31 December 2019	1,724	968	650	3,342
Carrying amount at 31 December 2019	379	18	0	397
Amortised over	10 years	3 years	1-8 years	

The parent company has no intangible assets (2018: nil)

9 Property, plant and equipment

EUR'000	Consolidated				
	Property	IT- equipment	Fixtures and fittings, tools and equipment	Leasehold improve- ments	Total
Cost at 1 January 2019	0	1,146	942	220	2,308
Currency adjustment	0	-1	-4	0	-5
Additions	6,563	0	111	0	6,674
Disposals	0	0	-130	-220	-350
Cost at 31 December 2019	6,563	1,145	919	0	8,627
Amortisation at 1 January 2019	0	1,064	725	220	2,009
Currency adjustment	0	-1	-2	0	-3
Amortisation during the year	147	47	111	0	305
Disposals	0	0	-111	-220	-331
Amortisation at 31 December 2019	147	1,110	723	0	1,980
Carrying amount at 31 December 2019	6,416	35	196	0	6,647
Depreciated over	10-50 years	3-5 years	3 years	3 years	

The parent company has no property, plant and equipment (2018: nil)

**Consolidated financial statements and parent company financial statements
for the period 1 January – 31 December**

Notes to the financial statements

EUR'000		Parent company	
		2019	2018
10	Investments in subsidiaries		
	Cost at 1 January	10,195	10,195
	Cost at 31 December	10,195	10,195
	Value adjustments at 1 January		
	Profit for the year	5,943	5,410
	Other adjustments	483	531
		-71	2
	Value adjustments at 31 December	6,355	5,943
	Carrying amount at 31 December	16,550	16,138

Name	Registered office	Voting rights and ownership
Despec Denmark A/S	Allerød, Denmark	100 %
Despec Sweden AB	Stockholm, Sweden	100 %
Despec Norway AS	Sem, Norway	100 %
Despec Finland Oy	Espoo, Finland	100 %
AB Thure Bünger	Stockholm, Sweden	100 %

All subsidiaries are considered separate entities.

EUR'000	Consolidated		Parent company		
	2019	2018	2019	2018	
11	Deferred tax (asset)				
	Deferred tax at 1 January	128	93	0	0
	Adjustment of deferred tax	26	35	0	0
	Deferred tax at 31 December	154	128	0	0
	Deferred tax relates to:				
	Intangible assets	46	24	0	0
	Property, plant and equipment	18	23	0	0
	Current assets	90	81	0	0
		154	128	0	0

**Consolidated financial statements and parent company financial statements
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Notes to the financial statements

12 Share capital

The share capital comprises 7,960 A shares of EUR 100 thousand each.
The share capital has remained unchanged for the last five years.

EUR '000	Consolidated		Parent company	
	2019	2018	2019	2018
13 Deferred tax (liability)				
Deferred tax at 1 January	629	781	0	0
Transferred to corporate Tax receivables	0	-16	0	0
Exchange rate adjustment	-10	-32	0	0
Adjustment of deferred tax	-113	-104	0	0
Deferred tax at 31 December	506	629	0	0
Deferred tax relates to:				
Liabilities other than provisions	506	629	0	0
	506	629	0	0
14 Non-current liabilities				
Loan, related parties	6,270	0	0	0
	6,270	0	0	0
The liabilities are due within:				
> 1 year	440	0	0	0
1-5 year	1,760	0	0	0
5 > year	4,070	0	0	0
	6,270	0	0	0
15 Contractual obligations and contingencies etc.				
Rent obligations	1,174	2,329	0	0
Other operating leases	129	158	0	0
	1,303	2,487	0	0

Despec Nordic Holding A/S is included in joint taxation with Despec Denmark A/S. The companies are liable indefinitely and jointly and severally for corporation taxes as well as withholding taxes on dividends, interest and royalties within the joint taxation circle.

16 Contingent liability

Despec Denmark A/S has an unresolved matter regarding credit notes received from a supplier for the period 2013-2016, which according to Management are issued incorrectly and has been rejected. Management has been informed that the matter might lead to a risk of a so-called "double-claim" from the danish tax authorities due to missing repayment. The potential claim from the danish tax authorities can currently not be quantified, but the amount could be material. Despec Denmark A/S has contacted the danish tax authorities after the balance sheet date for the purpose of clarifying the matter.

**Consolidated financial statements and parent company financial statements
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Notes to the financial statements

17 Collateral

As guarantee for the Groups cash pool in the parent company the parent has provided the following collaterals:

- Floating charge of EUR 1,004 thousand in Despec Denmark A/S
- Floating charge of EUR 1,130 thousand in Despec Sweden A/S
- Floating charge of EUR 2,871 thousand in Despec Norway A/S
- Floating charge of EUR 1,580 thousand in AB Thure Bünger
- Surety ship from all subsidiaries

18 Related party disclosures

Despec Nordic Holding A/S' related parties comprise the following:

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital as at 31st of December 2019:

System AG, Industristrasse 8, 96250 Ebensfeld, Germany

EUR'000	Consolidated	
	2019	2018
19 Adjustments of non-cash operating items		
Depreciations and amortisations	558	512
Currency gains and losses	-11	209
Other adjustments	-80	-26
Carrying amount at 31 December	467	695
20 Changes in working capital		
Change in inventories	107	-650
Change in receivables	-1,690	3,378
Change in trade payables and other payables	-1,320	784
Carrying amount at 31 December	-2,903	3,512
	Parent company	
EUR'000	2019	2018
21 Profit appropriation		
Reserve for net revaluation under the equity method	483	531
Retained earnings	-40	-71
Carrying amount at 31 December	443	460

22 Currency risks and use of derivative financial instruments

The Group uses hedging instruments such as forward exchange contracts on non-recognized transactions. The Group uses forward exchange contracts to hedge expected currency risks relating to sale in SEK and NOK. The contractual value amounts to EUR 9,038 thousand at 31 December 2019 (2018: EUR 6,324 thousand). At 31 December 2019 a loss of EUR 78 thousand is recognized in equity. The amount is expected to be realized after the balance sheet date (2018: a loss of EUR 17 thousand).