

# **BB Electronics A/S**

CVR-nr. 21 66 25 34

## **Annual Report 2014**

Approved at the company's regular AGM on 2 February 2015.

Chair:

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*Ole Steen Andersen*

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## Management Report

On this day, the Board and management have discussed and approved the Annual Report BB Electronics A/S for the accounting year 1 January – 31 December 2014.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

Our finding is that the group accounts and the annual accounts present a true picture of group and company assets, liabilities and financial position as of 31. December 2014 and of the result of group and company activities and group cash-flows for the accounting year 1 January – 31 December 2014.

It is also our finding that the management report represents a true and fair statement of the development in group and company activities and financial affairs, the annual result and the group and company financial position.

The Annual Report is recommended to the AGM for approval.

Horsens, dated 2 February 2015

Management:

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Carsten Christensen  
Managing Director

Board:

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Ole Steen Andersen  
Chairman

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Søren Lindberg Cristofoli  
Vice-Chairman

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Per Blinkenberg-Thrane  
Vice-Chairman

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Sven Ruder

---

Folmer Rud Hansen

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Malene Braskhøj Bust Pihl  
employee representative

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Trine Laila Bruhn  
employee representative

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Svend Olsen  
employee representative

## **Independent Auditor Statement**

**To the shareholders of BB Electronics A/S**

### **Report on group accounts and annual accounts**

We have audited the group accounts and annual accounts for BB Electronics A/S for accounting year 1. January – 31. December 2014, including profit and loss accounts, balance sheet, shareholders' equity inventory, notes and applied accounting practice for the group as well as the company and a cash flow statement for the group. The group and company accounts are prepared in accordance with the Danish Financial Statements Act.

### **Management responsibilities relating to group accounts and annual accounts**

Management is responsible for the preparation of group accounts and annual accounts that present a true and fair view in accordance with the Danish Financial Statements Act. Management is also responsible for the internal control measures, as deemed necessary, for preparing group accounts and annual accounts without material misrepresentations, whether through fraud or error.

### **Auditor's responsibilities**

Our responsibility is to express a conclusion on the group accounts and the annual accounts on the basis of our audit. We have performed the audit in accordance with international auditing standards and additional requirements under Danish auditing laws. This entails our adherence to ethical requirements and planning and executing the audit in a way that ensures a high degree of surety that the group accounts and annual accounts do not contain material misrepresentations.

An audit entails the carrying out of auditing activities to obtain evidence for sums and information in the group accounts and annual accounts. The auditing activities chosen depend on an evaluation by the auditor, including an evaluation of the risks of material misrepresentation in the group accounts and the annual accounts, whether through fraud or error. The risk evaluation encompasses internal control measures relevant to the company's preparation of group accounts and annual accounts providing a true and fair picture. The purpose is to design audit activities suitable to circumstances, but not to express any conclusions as to the efficacy of the company's internal controls. An audit also entails an evaluation as to whether management choice of accounting practice is appropriate, whether management accounting estimates are reasonable, and the overall presentation of the group accounts and the annual accounts.

It is our view that the acquired audit evidence is sufficient and suited as a basis for our conclusion.

The audit has not given rise to qualifications of any kind.

### **Conclusion**

It is our view that the group accounts and the annual accounts represent a true and fair view of the group and company assets, liabilities and financial position as of 31. December 2014 and that the result of group and company activities and group cash-flow for the accounting year 1. January – 31. December 2014 in accordance with the Danish Financial Statements Act.

## Independent Auditor Statement

### Opinion on management report

As required by the Danish Financial Statements Act, we have reviewed the management report. We have carried out no activities additional to the auditing of the group accounts and the annual accounts. On this background, it is our view that the information provided in the management report correlates with the group accounts and the annual accounts.

Aarhus, on this date 2. February 2015

ERNST & YOUNG  
Certified Audit Company

Claus Monfeldt  
Certified accountant

Kim R. Mortensen  
Certified accountant

## Management report

### Company information

Name	BB Electronics A/S
Address, postcode, city	Ane Staunings Vej 21, 8700 Horsens, Denmark
CVR number	21 66 25 34
Established	21 December 1998
Municipality of residence	Horsens
Accounting year	1. January – 31. December
Telephone	+45 76 25 10 00
Telefax	+45 76 25 10 10
Parent company	BB Electronics Holding A/S Ane Staunings Vej 21 8700 Horsens, Denmark CVR No. 80 17 03 19
Largest group of which the company is a part:	Axcel Industriinvestor a.s. Sankt Annæ Plads 10 1250 Copenhagen K, Denmark CVR No. 17 26 14 44
Subsidiaries	China: BB Electronics (Suzhou) Co. Ltd. BB Trading (Suzhou) Co. Ltd.
Board	Ole Steen Andersen, Chairman Søren Lindberg Cristofoli Per Blinkenberg-Thrane Sven Ruder Folmer Rud Hansen Malene Braskhøj Bust Pihl Trine Laila Bruhn Svend Olsen
Management	Managing Director Carsten Christensen
Auditing	Ernst & Young Certified Accountants Værkmestergade 25, 8000 Aarhus C, Denmark

## Management report

### Primary figures and key performance indicators for the group

DKK '000s	2014	2013	2012	2011	2010
<b>Primary figures</b>					
Net turnover	365,113	425,042	583,243	703,994	703,255
EBITDA before special items	16,470	9,256	13,368	69,601	44,828
Special items	-4,814	-5,733	-19,057	-893	-13,366
Of which depreciation/losses	-	-	13,040	900	6,406
EBITDA	11,656	3,523	7,351	69,608	37,868
Operating profit	1,781	-8,793	-24,557	50,071	13,046
Net financial result	-5,884	-7,249	-5,699	-11,487	-9,252
<b>Profit or loss for the year</b>	<b>-5,627</b>	<b>-15,851</b>	<b>-35,012</b>	<b>29,872</b>	<b>5,037</b>
Fixed assets	20,203	23,110	32,594	33,082	43,216
Current assets	186,953	182,333	230,526	308,963	340,336
<b>Total assets (balance sheet total)</b>	<b>207,156</b>	<b>205,443</b>	<b>263,120</b>	<b>342,045</b>	<b>383,552</b>
Authorised share capital	7,634	7,634	7,634	7,634	7,634
<b>Shareholders' equity</b>	<b>31,032</b>	<b>29,407</b>	<b>46,085</b>	<b>81,064</b>	<b>45,562</b>
Provisions for liabilities and charges	264	663	1,152	239	661
Long-term debt	25,997	37,593	329	1,268	1,609
Short-term debt	149,863	137,780	215,554	259,474	335,720
Cash flow from operating activities	24,945	5,893	22,126	72,447	31,594
Cash flow to investment activities	-5,160	296	2,285	-11,928	-9,575
Of which invested in property, plant, and equipment	-3,109	-1,699	-17,966	-7,987	-7,719
Cash flow from financial activities	-16,050	41,844	-49,935	-17,654	-15,610
<b>Change in liquid assets</b>	<b>3,735</b>	<b>48,033</b>	<b>-25,524</b>	<b>42,865</b>	<b>6,409</b>
<b>Ratios</b>					
EBITDA margin before special items (%)	4.5	2.2	2.3	9.9	6.4
EBIT margin (%)	0.6	-2.0	-4.2	7.2	1.9
Return on equity (%)	-18.6	-42.0	-55.1	47.2	12.4
Solidity (%) incl. BB Electronics Holding A/S	34.8	33.9	33.1	42.9	29.7
Net interest-bearing debt, BB Electronics Holding A/S	41,728	58,674	57,084	50,073	97,973
<b>Mean employment</b>	<b>515</b>	<b>614</b>	<b>666</b>	<b>696</b>	<b>696</b>

EBITDA margin before special items:	EBITDA before special items x 100/Net turnover
EBIT margin:	EBIT after special items x 100/Net turnover
Return on equity:	Profit or loss after tax x 100/mean equity
Solidity incl. BB Electronics Holding A/S:	Equity period end x 100/Total actives period end
Net interest-bearing debt holdings	Debts to mortgage credit institutions and credit institutions minus cash

Key performance indicators have been calculated in accordance with Danish Finance Society's "Recommendations and Key Performance Indicators 2010" (Den Danske Finansanalytikerforenings "Anbefalinger og Nøgletal 2010").

## Management report

### Report

A couple of years ago, BB Electronics launched a new strategy with a focus on market orientation and cost optimisation. This strategy has been implemented throughout 2014 and the follow-up phase has been implemented - launching the growth strategy BB PLUS. This is based on BB Electronics' Global Business System, building on the standardised processes implemented throughout the past couple of years.

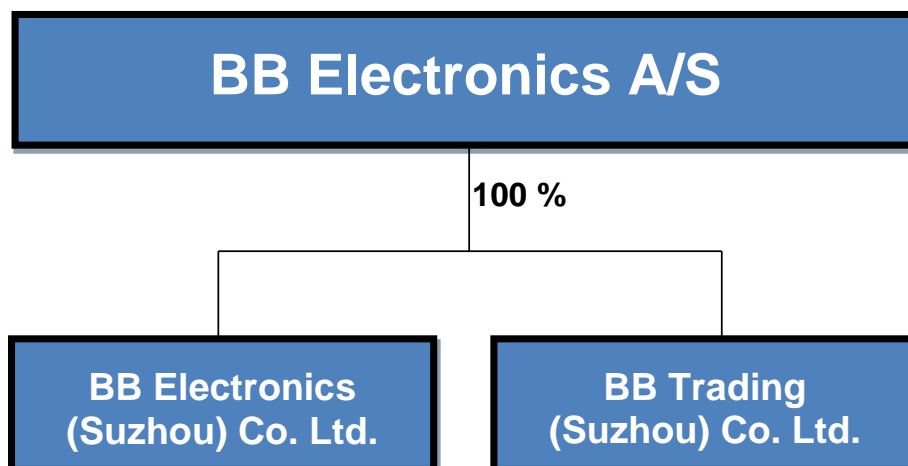
We have maintained our Lean approach in all parts of the company with a focus on "continuous improvement", benefiting our customers, BB Electronics, and its ownership. Technology and quality at all levels are primary priorities, to which is added the commercial and value generating superstructure, encompassing standardised logistics solutions, professional communications, and "controlling business", leading to tangible products for our customers. The current phase of the BB Electronics strategy was launched in Q4 under the name BB PLUS.

The new strategy phase will see us focusing on the marketing of BB Electronics to selected segments where the customer will be met by company management and where "being a mutually good match" will be of paramount importance. There will also be a focus on generating value for existing customers, in order that our customers achieve an improved total cost on the services delivered. In order to improve our efforts in this area, we are working on putting together a complete package of value propositions in a comprehensive business case.

Our automation via robots, among other things, in the production in the factory in Denmark is also in continued positive development. This makes it possible to make medium volume production near customer series development. We are already realising strong growth in this area and have several on-going projects set for expansion over the coming years.

BB Electronics expect additional turnover growth in 2015, based on expected growth from the current client portfolio and a range of new clients. We have entered into collaboration with a number of important new partners in 2014, and this will have a visible, positive effect on future turnover and also ensure a significant growth in profits for 2015.

The company once more presents itself as a strong and firmly consolidated partner, bringing to market professional and adapted communications, fast product start-up, high delivery performance and quality, strong flexibility, and low capital tie-up.





## Management report

### Report

#### Primary activities

The group activities are related to the production of electronics, EMS services. Production takes place in the parent company, BB Electronics A/S, and in the Chinese subsidiary, BB Electronics (Suzhou) Co. Ltd.

#### Financial development

The total 2014 turnover was DKK 365M, a 15% drop compared with 2013 (DKK 425M), resulting from the final phasing out of a former, large, global customer, their having made the strategic decision to consolidate their purchases with the EMS supplies of their new ownership. Seen in isolation, the growth measured on other clients between 2013 and 2014 amounts to 2.3%.

In 2014, the group realised a total turnover (EBITDA) before special items of DKK 16M (DKK 9M) and a result before tax of DKK -6M (DKK -16M). The progress is based on a drop in turnover outweighed by a changed client/product mix and overhead reductions, leading to significant competitiveness improvement.

The result for the year is still influenced negatively by special items in the shape of costs totalling DKK -5M. The special items relate to reorganisation costs in connection with the strategy of BB Electronics.

The result for the year largely corresponds with the budget, however, management still consider the overall result to be unsatisfactory. The 2015 budget reflects growth in turnover as well as profits.

The balance sheet total for the group at the end of the accounting year was DKK 207M compared with DKK 205M the previous year. The increase is linked to an increase in closing inventory as a result of increased activity and currency regulations in CNY. The total investment cost was DKK 6M.

Cash flow from operations activities was DKK 26M (DKK 6M).

#### Turnover

2014 turnover fell by DKK 60M when compared with 2013. The reduction was expected and linked to reduced collaboration with a large, global customer. The remaining customer portfolio has seen a positive development, resulting in a 2.3% growth, expected to show further development of not less than 6% for 2015.

BB Electronics enjoys a strong and loyal customer base showing product programme development, resulting in a positive effect for 2014, and it is expected that this growth will develop further in the future.

We focus on the customer's bottom line and work with performance on the basis of clear communications which,

e.g. via standardised logistics solutions, reduce customer inventory, improve delivery ability and accommodates needs fluctuations. The future strategy is also focused on partnerships with new customers in 3 chosen segments. 2014 also saw us win several customers based in western countries from our base in Suzhou, China. All of whom are customers in need of a high-mix supplier with a western quality stamp.

#### Earnings

Optimisation via LEAN principles will continue in 2015, with the aim that BB Electronics shall keep becoming more efficient and exploit capacity in order to maintain high delivery capacity and quality, elements which even today are fully up to the standards of the EMS field in the low volume/high mix segment.

2015 will also see a constant focus on activity growth at the factory in Suzhou (China). The expectation is that BB Suzhou will represent 65% of the total turnover in BB Electronics in 2015.

The factory in Suzhou currently handles all work related to traditional outsourcing of production to EMS, including start-up of new customers under the BB Electronics umbrella. Currently, BB Electronics offer a very high and consistent level of capacity at both our factories. Additionally, we have created a large, independent test development department in China, something which will add to future earnings.

The company has also decided to move group functions - Global Sourcing Management and Global Quality Management - to Suzhou, as this is where the majority of production happens. In both cases, the overall responsibility for the same activities in Horsens has been transferred.

The overall expectation of BB Electronics results for 2015, both in terms of turnover and profit, is that the company in 2015 will once more present as a strong, positive business based on the improved competitive cost base and a higher earnings basis.

#### Main business segments

The turnover loss relates to the customer segment "Professional telecommunications/IT", dropping from DKK 129M in 2013 to DKK 64M in 2014, as a result of losing the previously mentioned customer. The other customer segments have seen a more stable turnover development of 2%, cf. Note 2. According to DVCA guidelines, the company should inform about the earnings related to main business segments, but competition considerations have led to this being left out of the annual report.

#### Recognition and measurement uncertainties

No recognition and measurement uncertainties have been found in the annual report.

### Anomalies

The result for the year is negative at DKK -5M before tax. The sum relates to reorganisation costs.

### Special risks

#### Business risks

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

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

As of 31 December, 2014, the net interest-bearing debts in BB Electronics, including BB Electronics Holding, totals DKK 42M (2013: DKK 59M), which is considered a reasonable level.

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

### Knowledge resources

BB Electronics knowledge resources may be divided into four categories: Customers, Technology, Processes, and Employee Matters

#### Customers

It is the goal of BB Electronics to create value for the customer in the form of intelligent solutions created in collaboration with the individual customer, and it is the goal to satisfy customer expectations in delivering high quality products, satisfying delivery terms, on-going reporting etc.

#### Technology

It is crucial to BB Electronics, in the short and the long term, to ensure the right portfolio of production technologies and an on-going development of existing production technologies.

#### Processes

The critical business processes are quality, service, and flexible solutions. To ensure that the customer receives the agreed service, individual methods and procedures must be documented.

Throughout 2014, as mentioned, BB Electronics continued a thorough standardisation of administrative business processes, covering all links of the value chain, from procurement to sales.

These projects, with a focus on LEAN and a standardisation of work processes in the administration,

form an important element in the continued development of the business.

A range of activities have also been implemented to ensure that the goals set for the business processes are achieved.

### Employee matters

In 2014, the company has adjusted further to the competitive situation.

The staff in China now makes up 80% of the full-time employees, while the share in Denmark is 20%. In the Suzhou area, the average seniority for hourly paid staff is 0.8 years, with the BB Electronics staff at the Suzhou factory being 1.3 years for direct employees and 3.3 years for indirect employees, both significantly above average. At the factory in Denmark, in Horsens, the average seniority for direct employees is 14 years and for indirect employees it is 10 years.

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

### Statutory Corporate Social Responsibility Declaration

#### Policy

BB Electronics assumes the responsibility for its products and production, including where environment and social affairs are involved, something which also follows as a natural extension of the company values. The Corporate Social Responsibility Declaration for the group covers the accounting period 1 January - 31 December 2014.

BB Electronics activities are carried out within the framework of current laws and regulations and complies with conventions on core labour standards as defined by the International Labour Organization (ILO).

BB Electronics acknowledges right of association and collective negotiations. BB Electronics strictly opposes forced labour, slave labour, child labour, and discrimination of any kind.

BB Electronics supports the Global Compact principles: Human rights, labour rights, environment and anti-corruption. The company became a UN Global Compact member in November of 2010 and has since worked with the implementation of the 10 principles in the company's Business Management System.

BB Electronics holds the following ISO certifications ISO 18001, ISO 14001, ISO9001, and ISO13485.

#### Focus

BB Electronics focuses on three areas:

- ▶ Employees
- ▶ Suppliers

► Environment.

### 1. Employees

Employees are a major stakeholder of BB Electronics, and the company is aware that attracting and retaining a qualified workforce is paramount to future competitiveness.

#### Policy

The group has a safety policy, a health policy, and a personnel policy including appraisal interviews.

BB Electronics wishes to further employee health and welfare, reduce the risk of work accidents and work related injuries, including monotonous repetitive work. The goal for the health and welfare work is to attract and retain qualified staff and minimise absence.

#### From policy to action

Appraisal interviews are to be conducted annually, and the carrying out and following up on interviews has been included in the management evaluation.

BB Electronics has chosen to focus on employee welfare and development through specific health activities, such as massages, smoking cessation courses, and the setting up of exercise rooms as an alternative to gymnastics during short breaks. The HR department is responsible for the health policy.

All of these activities have been set up in collaboration with employee committees (EC) and the work environment organisation. This ensures that existing committees work on this issue.

BB Electronics achieves on-going employee welfare evaluations via appraisal interviews and independent development plans. This ensures a work-life balance, a pleasant working environment, and healthy employees. As an example, the absence through sickness in Denmark has dropped from 2.5% to 1.7%. In China, the absence through sickness has stabilised on a low level of 1.4% as it also was in 2013.

BB Electronics is committed to ensuring that the company's employees enjoy a healthy and safe workplace. The goal is to foster a strong company culture at all organisational levels through the setting of goals and the implementation of procedures to ensure a continuously safe workplace and the maintenance of the company's work environment certification.

The 2014 goal for BB Electronics was 0 accidents. With 0 accidents in 2014, the goal was reached.

#### Production in Denmark and China

As per the end of 2014, BB Electronics employs 520 people in two factories, one in China and one in Denmark. The Danish factory is in modern and safe facilities in an industrial building. A total of 104, more than half of whom are women. Ages between 20 and 73. 63 direct employees, 41 indirect employees. BB Electronics China employees

416 people between 18 and 55 years of age. More than half are women, 257 are direct employees, and 159 are indirect employees.

#### Whistle-blower

Employees at BB Electronics have the ability to contact an external company anonymously if there should be events that they wish to report and which they would like managed by parties external to BB Electronics. There were no such contacts made under this arrangement in 2014.

### 2. Suppliers

#### Policy

Suppliers who lack a CSR focus may constitute a risk to BB Electronics, which is the reason why BB Electronics continuously seeks to obtain additional information about the companies with which collaboration are entered into.

The purpose behind the activities of BB Electronics in the supply chain is to ensure that suppliers respect human rights and employee rights and that environment and anti-corruption are taken seriously.

#### From policy to action

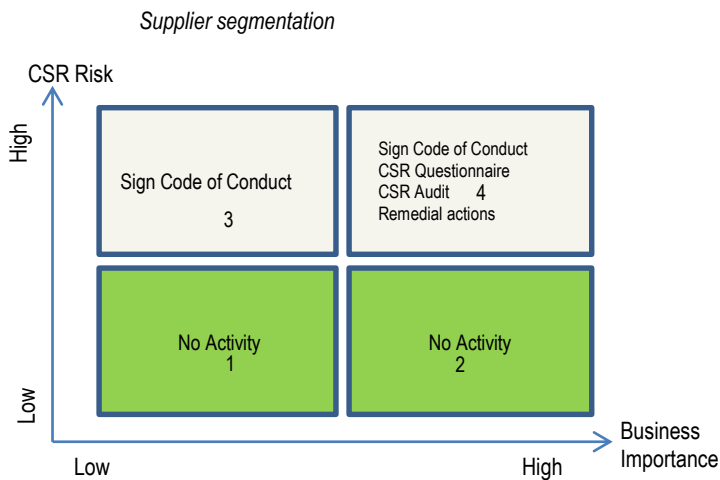
It is extremely important to understand the position of BB Electronics in the supply chain, in order to be able to identify the correct approach to suppliers. As an EMS company, BB Electronics is a significant buyer of electronics components. As a result, BB Electronics wishes to be an active part in the introduction of more responsible practices in the electronics industry.

We have intensified the collaboration between our sourcing departments in Denmark and China, and they now appear as a single organisation, bringing greater transparency and uniformity to our work with suppliers.

Products manufactured by BB Electronics are highly complex constructions, made from a wide range of different components. A typical product would consist of raw PCB (Printed Circuit Board), components ranging from semiconductors, passives, plastic and metal part, cables, screws etc. Many of these in turn consist of several parts.

The supply network makes up a global network of suppliers, each with their own brand, who will have many suppliers, who in turn will have many suppliers.

BB Electronics has chosen as a first step to focus on suppliers in the first link of the supply chain. BB Electronics selects appropriate providers on the basis of the following criteria: high procurement volumes and regional and industry activity where risks are judged to be significant.



BB Electronics has made a risk evaluation of all suppliers and arrived at the following:

- ▶ 160 suppliers in segments 3 and 4 (critical suppliers)
- ▶ 109 suppliers have signed the BB Electronics Code of Conduct
- ▶ 14 CSR audits.

The follow-up on any deviations is done by the BB Electronics quality department. Deviations handled have resulted in the following improvements:

- ▶ Suppliers have invested in safety goggles and respiratory protective equipment
- ▶ Suppliers have made their sub-suppliers aware of CSR
- ▶ Fire-fighting equipment has been installed and approved by local authorities.
- ▶ Suppliers of disposal of hazardous waste have been registered and have shown certification.

### 3. Environment

BB Electronics affects the environment via the production in the parent company and the Chinese subsidiary when transporting products and employees, and indirectly via the energy consumption related to the products in use and the possibility for their disposal. The production companies are subject to a range of environmental requirements as a result of legislation in Denmark as well as China. These requirements were all satisfied in 2014.

#### Policy

The group has adopted an environment policy that includes a commitment to continuous improvements.

The environmental responsibility of BB Electronics is ensured via effective and correct business practices. BB Electronics is committed to developing a long-term sustainable business through:

- ▶ Minimising the environmental consequences of company processes.
- ▶ Ensuring the most efficacious use of natural resources and energy.
- ▶ Employee attitudes to engagement in and taking responsibility for the environment effort
- ▶ Continuous improvement and pollution prevention
- ▶ Ensuring that production waste (waste and waste water) has the least possible environmental impact.

#### From policy to action

Concrete targets for the environment effort for the year have been established for each production unit.

The parent company is certified under the international environment management system ISO 14001. In this connection, a steering group chaired by the CEO has been created.

#### Waste management:

- ▶ A waste management focus in administration as well as production has resulted in an increase in recovery. The recovery rate rose from 78% in 2010 to 81% in 2014. In real terms, this means that BB Electronics disposes of more materials to recycling than it does to incineration.
- ▶ Waste water from washing processes is evaporated and filtered before the residues are sent for waste treatment. This avoids exporting large amounts of waste water from the company.
- ▶ BB Electronics has entered into collaboration with a company specialising in reviewing clients' parts lists for dangerous substances. This means that BB Electronics can now offer its customers a review of their products for dangerous substances.
- ▶ Investment has been made in a new print washing installation, resulting in a reduction in the use of detergent.
- ▶ BB Electronics continues to reduce the use of nitrogen. The target is to reduce the consumption by 10% in 2015.

#### Next steps

The group is aware of future national and international legislation, including the WEEE Directive, under which the company will be applied a manufacturer's responsibility and become financially liable for the collection and disposal of products marketed in the company's name within the EU.

The group aims at maintaining a recycling rate of more than 80% over the following 5 years. In addition, we are working on reducing the energy consumption related to products.

It is the ambition of BB Electronics to continue the implementation of sustainability in its business processes. This work is already a part of the daily routines. BB Electronics will develop KPI measurements to also include CSR parameters. These CSR parameters will support and show progress in UN's 10 Global Compacts principles.

BB Electronics will continue to provide employees with health offers and enable them to improve health by offering exercise, massage, and welfare activities. In terms of the environment, BB Electronics will continue its activities in energy optimisation of equipment and to use energy efficiency as a primary parameter in relation to new investments. BB Electronics will focus on the ability of suppliers to set targets and reach improvements related to external environment. BB Electronics will continue to evaluate suppliers in the future.



## Corporate Governance

The board and management of BB Electronics constantly strive to ensure that the group's management structure and control systems are appropriate and functioning. Management will evaluate on an on-going basis whether this is the case.

The basis for determining the tasks of the board and management is, among other things, corporate legislation, the Financial Statements Act, the company's by-laws and best practice for companies of a similar size and international scope as BB Electronics. In addition, the company - as a company owned by a private equity fund - complies with the guidelines for responsible ownership and corporate governance. On this basis, a range of internal procedures intended to ensure an active, safe and profitable management of the group is being developed and maintained.

### Recommendations for good corporate governance

In April of 2010, the committee on good corporate governance issued updated recommendations. A range of recommendations are in place for private equity fund owned companies, as can be seen from DVCA guidelines. The following areas are affected:

- ▶ The work, constitution, and organisation of the senior management body
- ▶ Auditing committee

- ▶ Risk management and internal controls.

The statement of compliance of BB Electronics with these recommendations is published on the company's website, [www.bbelectronics.dk](http://www.bbelectronics.dk).

### Recommendations for active ownership and good corporate governance for private equity funds

In June of 2011, Danish Venture Capital and Private Equity Association ("DVCA") issued guidelines for responsible ownership and good corporate governance for private equity funds and the companies they control.

The guidelines include, among other things, reference to a range of elements in the management report, including corporate governance and social responsibility.

As a partially private equity fund owned company, BB Electronics is obliged to either follow these recommendations or to explain why recommendations are not, either partially or in totality, are not being followed. Read more about DVCA at [www.dvca.dk](http://www.dvca.dk).

### Auditing committee

Given the size of the company, the on-going dialogue, and a high frequency of meetings in the chairmanship, the need for an auditing committee is not judged to exist.

### Internal auditing

BB Electronics has not found it relevant or appropriate to establish internal auditing.

### Risk management

The board conducts on-going, and under all circumstances not less than once annually, review of the overall risk affected BB Electronics and the company's activities. The board decides guidelines for the primary risk areas, monitors developments, and produces action plans for reduction and management of individual risk factors, including financial and business risks, insurance and environment factors and compliance with competition legislation.

### Realisation of strategy and goals

Effective risk management and effective internal control systems contribute to reduce strategic and business risks, to ensure compliance with current regulations, and to ensure the quality of the basis of management decisions and the financial reporting. The company's strategy choices leads to inherent risks. It is important that these risks are identified and communicated and that they are handled appropriately.

Effective risk management and internal controls are pre-conditions for the board and senior management to be able to carry out their work. This is why it is of paramount importance that the senior management body ensures effective risk management and internal controls.

### **Rendering of accounts**

The board and management hold the overall responsibility for the group's risk management and internal controls as they relate to the process of rendering accounts.

The organisational structure and the internal guidelines make up the control environment, together with legislation and other regulations relevant to the group. Management will continuously evaluate the group's organisational structure and staffing, and will determine and approve overall policies, procedures, and controls related to the rendering of accounts.

In relation to the rendering of accounts, management will especially focus on internal controls in the company's Business Management System, the purpose of which is to support that rendering of accounts is reliable.

BB Electronics has established a formal group reporting process, encompassing monthly reporting, consisting, among other things, of budget follow-up, performance evaluation, goal attainment etc.

### **Business risks**

As part of the annual updating and strategy plan approval, management conducts a business risk evaluation. In connection with the risk evaluation, and as needed, management will also consider the financial, hedging, and insurance policies approved by the board for the group.

The group's primary business risk is tied to the company's ability to maintain a leading position as a provider of advanced, high quality solutions at a competitive price.

The primary business risks of BB Electronics relate to the ability of the companies to handle and manage the following elements:

- ▶ Earnings
- ▶ Working capital.

The risk management in BB Electronics, including internal controls related to the financial reporting process, have been designed with a view to efficiently minimise the risk of errors and deficiencies.

Management is responsible for the continued ability to identify, evaluate, and handle risk with a view to reducing the financial consequences and/or likelihood of realisation of risks.

### **The board and its work**

The board handles the overall management of the group, to include hiring of management, establishing guidelines for and the carrying out of controls related to management work, ensuring an appropriate organisation of the group's activities, establishing mission statement and strategy, and evaluating the suitability of the group's capital adequacy.

The board of BB Electronics will convene on the basis of a fixed schedule not less than 5 times per year. Normally, the full board and management will participate in all meetings.

The board consists of 5 members elected by the AGM and 3 elected by and among employees. Between ordinary board meetings, the board will receive running orientation, in writing, on the development in company and group results and financial positions, and the group chairmanship will meet with the group management as needed. Extraordinary meetings are called as needed.

The board can establish committees to deal with specific tasks, but so far has seen no need to establish any fixed committees.

The board of BB Electronics A/S ensures that the management complies with approved goals, strategies and business processes. Management supply a written monthly report on the group's financial position, profitability development, and capital adequacy. Additionally, the chairmanship, in the form of the chairman and the vice-chairman, meets with management approx. every two months. There will also be an annual strategy day on which the vision, goals, and strategy for the group are established. Extraordinary meetings will be called as conditions may warrant.

### **Statutory reporting on policy and target figures for gender distribution of management**

BB Electronics has goals for recruitment of women for management positions. BB Electronics wishes to make the goal of more women in management quantifiable - both in terms of the process leading to the goal and in relation to the concrete results. Targets have been set for the ratio of female senior managers:

- ▶ The current proportion of female senior managers at the senior management level is 0%, and the target is not less than 25% 4 years from now.
- ▶ The proportion of female senior managers in daily management is currently 67%, and the target here is also not less than 25%.

### **Board and management remuneration**

In order to attract and retain management competencies in the group, remuneration for management and senior employees shall be established on the basis of work tasks, value generation, and terms available in comparable companies. Incentive share options are not offered.

Management and board remuneration is mentioned in a note to the annual report.

### **Dividend policy**

The paying of dividend will be subject to consideration of sufficient consolidation of equity capital as a basis for continued group development and with due consideration of existing agreements with financing sources.

The board proposes that no dividend is paid for the accounting year 2014.

### Ownership and capital structure

BB Electronics A/S is ultimately owned by the private equity fund Axcel Industriinvestor a.s. (62.5%) represented by Søren Lindberg and Skovbitt Holding A/S (34.5%) represented by Folmer Rud Hansen. The remaining board members are independent but appointed by the owners or employees.

Also, a former share holder retains a 3% ownership share.

### Financial risks

The group is exposed to currency and interest rate fluctuations as a result of its operations, investments, and financing. The parent company manages the group financial risks centrally and coordinates the group cash-flow management, including funding and placement of surplus cash-flow. The group operates with a low risk profile, meaning that currency, interest rate, and credit risks only occur on the basis of commercial factors.

Additionally, customers and inventory directly linked to the individual customer are largely guaranteed via external credit insurance. A few larger concerns are not guaranteed via external insurance as a result of their risk profile.

The share capital of BB Electronics A/S is not divided into share classes. Management will frequently evaluate whether BB Electronics has an appropriate capital structure. As of 31 December 2014, the net interest-bearing debt in BB Electronics A/S, including BB Electronics Holding A/S, is DKK 42M (2013: DKK 59M), which is considered a reasonable level.

Out of the interest-bearing debt of DKK 42M, DKK 25M is at a fixed interest rate via OTC interest rate swap.

No changes have been made regarding group guidelines and procedures for management of capital structure and its administration.

The overall solvency of BB Electronics Holding A/S end 2014 is 34.8%.

### Events after completion of annual accounts

After completing the annual accounts and to day, no events have occurred that would serve to significantly change the group financial position and thereby affect the evaluation of the annual report.

### Expected development

With the unification of processes across sites over recent years, BB Electronics has improved its "One Company Approach", and it will remain a focal point in 2015. A competent and well-known sales organisation with several years' EMS experience and market knowledge will not only see continued growth from existing customers but also develop new partnerships with a focus on visible value gains for the customer, though continued:

- ▶ **High product quality** via structured processes

- ▶ **High technical capacity level** on even the most complex products
- ▶ **Standardised logistics solutions**, ensuring high level of delivery efficiency.
- ▶ **Professional and controlled business processes**, ensuring low capital immobilization, improved cash flow, and strong flexibility in case of product changes etc.
- ▶ **Structured and open communications** via KPI reports and review meetings, providing the customer with a solid and well-founded basis for making decisions.

In order to strengthen the daily customer contact, we have also established a new "Service and Relations" function which will handle the future daily contact with customers via our Program Management. The function exists in both our factories to ensure swift and precise information for our customers in all cases.

All of these actions are intended to ensure company growth over the coming years on the basis of strong performances on all parameters and professional communications that will satisfy the expectations our customers have of their chosen EMS partner.

## Group Accounts 1. January – 31. December

### Profit and loss statement

Note	DKK '000s	2014	2013
1	<b>Net turnover</b>	365,113	425,042
7,8,13	Production costs	-324,757	-390,543
	<b>Gross profit or loss</b>	40,356	34,499
7,8,13	Distribution costs	-5,940	-9,381
7,8,13	Administration costs	-27,821	-28,178
	<b>Operating profit before special items</b>	6,595	-3,060
2	Reorganisation costs	-4,814	-5,733
	<b>Operating profit</b>	1,781	-8,793
3	Other operating income	692	347
3	Other operating costs	-380	-41
	<b>Operating profit</b>	2,093	-8,487
4	Financial income	743	19
5	Financial costs	-6,627	-7,268
	<b>Profit or loss before tax</b>	-3,791	-15,736
6	Tax on profit or loss for the year	-1,836	-115
	<b>Profit or loss for the year</b>	-5,627	-15,851
	<b>Suggested disbursement of profit or loss</b>		
11	Transferred profit or loss	-5,627	-15,851
		-5,627	-15,851



## Group Accounts 1. January – 31. December

### Balance sheet

Note	DKK '000s	2014	2013
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
7	<b>Intangible fixed assets</b>		
	Software	2,811	1,939
8	<b>Tangible fixed assets</b>		
	Interior fitting of rented premises	1,484	1,846
	Technical installations and machines	13,194	15,433
	Other installations, tools, and equipment	877	1,853
	Installations under construction	0	191
		15,555	19,323
9	<b>Financial assets</b>		
	Loans	1,837	1,848
	<b>Total fixed assets</b>	20,203	23,110
	<b>Current assets</b>		
10	<b>Inventories</b>		
	Raw materials and consumables	64,365	61,489
	Semi-manufactured goods	7,000	6,509
	Stocks of products	6,700	9,585
	Payments in advance from customers	-1,343	-4,715
		76.722	72.868
	<b>Receivables</b>		
	Receivables from sales and services	74,472	76,409
	Loans	2,241	2,304
6	Deferred tax	23,041	23,483
	Deferred expenditure	1,899	2,052
		101.653	104.248
	<b>Liquid capital</b>	8,578	5,217
	<b>Total trading assets</b>	186,953	182,333
	<b>TOTAL ASSETS</b>	207,156	205,443

## Group Accounts 1. January – 31. December

### Balance sheet

Note	DKK '000s	2014	2013
	<b>LIABILITIES</b>		
11	<b>Shareholders' equity</b>		
	Authorised share capital	7,634	7,634
	Transferred profit or loss	23,398	21,773
	<b>Total shareholders' equity</b>	<b>31.032</b>	<b>29.407</b>
	<b>Provisions for liabilities and charges</b>		
	Other provisions	264	663
	<b>Total provisions</b>	<b>264</b>	<b>663</b>
	<b>Obligations</b>		
12	<b>Long-term debt</b>		
	Credit institutions	25,000	37,500
	Other long-term debt	997	93
		<b>25.997</b>	<b>37.593</b>
	<b>Short-term debt</b>		
12	Short-term part of long-term obligations	13,496	12,570
	Credit institutions	12,806	13,728
	Trade creditors and other accounts payable	62,577	42,806
	Payments in advance from customers	860	3,156
6	Corporation tax	190	137
	Debts and loans from subsidiaries	40,847	40,344
	Other long-term liabilities	19,087	25,039
		<b>149.863</b>	<b>137.780</b>
	<b>Total obligations</b>	<b>175.860</b>	<b>175.373</b>
	<b>TOTAL LIABILITIES</b>	<b>207.156</b>	<b>205.443</b>

- 13 Employee matters
  - 14 Fee to auditor elected by AGM
  - 15 Contingent assets and collateral security
  - 16 Operational leasing and rental agreements
  - 17 Related parties
- Accounting practice applied, pp. 39 - 43

## Group Accounts 1. January – 31. December

### Cash-flow table

Note	DKK '000s	2014	2013
	Profit or loss for the year	-5,627	-15,851
18	Adjustments	17,377	18,885
19	Capital equipment change	13,754	3,589
	Cash-flow from operations	25.504	6.623
6	Corporation tax paid	-559	-730
	<b>Cash-flow from operating activities</b>	<b>24.945</b>	<b>5.893</b>
	Purchases of intangible fixed assets	-3,019	-1,220
	Purchases of tangible fixed assets	-3,109	-1,699
	Property sales/investments	0	3,000
	Sales of financial assets	12	21
	Sales of tangible fixed assets	956	194
	<b>Cash-flow to investment activities</b>	<b>-5.160</b>	<b>296</b>
	Net change in obligations	-10,669	49,489
	Change in obligations and loans from subsidiaries	503	-396
	Financial income, received	743	19
	Financial costs, paid	-6,627	-7,268
	<b>Cash-flow from financing activities</b>	<b>-16.050</b>	<b>41.844</b>
	<b>Change in liquid assets</b>	<b>3.735</b>	<b>48.033</b>
	Liquid assets, January 1st.	-8,511	-56,410
	Revaluation of opening liquid assets	548	-134
	<b>Liquid assets, December 31st</b>	<b>-4.228</b>	<b>-8.511</b>
	Liquid assets is defined as follows:		
	Liquid capital	8,578	5,217
	Short-term obligations to credit institutions	-12,806	-13,728
		-4.228	-8.511

## Group Accounts 1. January – 31. December

### Notes

DKK '000s	2014	2013
<b>1 Net turnover</b>		
Business area distribution is defined as follows:		
Industry	227,228	240,594
Professional Telecom's/IT	63,389	128,556
Other	74,496	55,892
	<u>365.113</u>	<u>425.042</u>
Geographical market distribution is specified as follows:		
Denmark	223,042	250,132
Rest of Europe	107,773	160,567
North America	17,146	6,452
Asia	13,090	7,378
Other	4,062	513
	<u>365.113</u>	<u>425.042</u>
<b>2 Reorganisation costs</b>		
Consumption costs for sold premises	0	72
Restructuring etc.	4,814	5,661
	<u>4.814</u>	<u>5.733</u>
<b>3 Other operating income and costs</b>		
Other operating income:		
Profit on sales of fixed assets	162	140
Other income	530	207
	<u>692</u>	<u>347</u>
Other operating costs		
Losses from sales of fixed assets	126	41
Other costs	254	0
	<u>380</u>	<u>41</u>
<b>4 Financial income</b>		
Exchange gains	733	0
Other financial income	10	19
	<u>743</u>	<u>19</u>

## Group Accounts 1. January – 31. December

### Notes

DKK '000s		2014	2013
<b>5</b>	<b>Financial costs</b>		
	Interest to subsidiaries	1,519	1,583
	Exchange losses	2,086	1,378
	Other financial costs	3,022	4,307
		<u>6.627</u>	<u>7.268</u>

### 6 Corporation tax and deferred tax

DKK '000s	Corporation tax liability	Deferred tax asset	Tax as per profit and loss statement
Opening balance, 1 2013	260	23,227	-
Revaluation	0	-133	-
Adjustment of deferred tax for the year	-	389	-389
Corporation tax paid	-730	-	-
Tax on changes in retained capital	0	0	-103
Tax related to the year's income	607	-	607
<b>Closing balance, 31 December 2013</b>	<u>137</u>	<u>23,483</u>	<u>115</u>
Opening balance, 1 January 2014	137	23,483	-
Revaluation	0	784	-
Adjustment of deferred tax for the year	-	-1,226	1,226
Corporation tax paid	-559	-	-
Tax on changes in retained capital	0	0	-2
Tax related to the year's income	612	-	612
<b>Closing balance, 31 December 2014</b>	<u>190</u>	<u>23,041</u>	<u>1,836</u>

## Group Accounts 1. January – 31. December

### Notes

<b>7 Intangible fixed assets</b>	
<b>DKK '000s</b>	<b>Software</b>
Cost price 1. January 2014	22,124
Revaluation	85
Accrual for the year	3,019
Disposals for the year	0
Cost price 31. December 2014	25,228
Depreciation 1. January 2014	-20,185
Revaluation	-84
Depreciation for the year	-2,148
Previous depreciation on disposals for the year written back	0
Depreciation 31. December 2014	-22,417
<b>Balance sheet value 31. December 2014</b>	<b>2,811</b>

Depreciation on intangible fixed assets are included under the following entries

<b>DKK '000s</b>	<b>2014</b>	<b>2013</b>
Production costs	618	1,232
Distribution costs	97	104
Administration costs	1,433	889
	<u>2.148</u>	<u>2.225</u>

## Group Accounts 1. January – 31. December

### Notes

#### 8 Tangible fixed assets

DKK '000s	Interior fitting of rented premises	Technical installations and machines	Other installations, tools, and equipment	Installations under construction	Total
Cost price 1. January 2014	21,954	130,604	29,234	191	181.983
Revaluation	942	4,459	851	0	6.252
Carried over	0	191	0	-191	0
Accrual for the year	471	2,618	20	0	3.109
Disposals for the year	0	-23,871	-1,549	0	-25.420
Cost price 31. December 2014	23.367	114.001	28.556	0	165.924
Depreciation 1. January 2014	-20,108	-115,171	-27,381	-	-162.660
Revaluation	-903	-3,065	-790	-	-4.758
Depreciation for the year	-872	-5,701	-878	-	-7.451
Previous depreciation on disposals for the year written back	0	23,130	1,370	-	24.500
Depreciation 31. December 2014	-21.883	-100.807	-27.679	-	-150.369
<b>Balance sheet value 31. December 2014</b>	<b>1,484</b>	<b>13,194</b>	<b>877</b>	<b>0</b>	<b>15.555</b>

Depreciation on tangible fixed assets is included under the following entries:

DKK '000s	2014	2013
Production costs	6,855	8,779
Distribution costs	55	100
Administration costs	541	1,005
	<b>7.451</b>	<b>9.884</b>

#### 9 Financial assets

DKK '000s	Loans
Cost price 1. January 2014	1,848
Revaluation	1
Accrual for the year	0
Disposals for the year	-12
Cost price 31. December 2014	1.837
<b>Balance sheet value 31. December 2014</b>	<b>1,837</b>

## Group Accounts 1. January – 31. December

### Notes

#### 10 Inventories

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

#### 11 Shareholders' equity

DKK '000s	Authorised share capital	Transferred profit or loss	Total
Shareholders' equity, 1 January 2013	7,634	38,451	46,085
Revaluation of security instruments	-	411	411
Tax on shareholders' equity entries	-	-103	-103
Exchange adjustment	-	-1,135	-1,135
Profit or loss for the year	-	-15,851	-15,851
Revaluations for the year	-	-16,678	-16,678
<b>Shareholders' equity, 31 December 2013</b>	<b>7,634</b>	<b>21,773</b>	<b>29,407</b>
Revaluation of security instruments	-	7	7
Tax on shareholders' equity entries	-	-2	-2
Exchange adjustment	-	7,247	7,247
Profit or loss for the year	-	-5,627	-5,627
Revaluations for the year	-	1,625	1,625
<b>Shareholders' equity, 31 December 2014</b>	<b>7,634</b>	<b>23,398</b>	<b>31,032</b>

As of 31 December 2014, the shareholders' equity stood at 76,340 shares @ DKK 100.

The shareholders' equity has been unchanged for the past 5 years.

#### 12 Long-term obligations

Capital repayments due within 1 year are counted under short-term obligations. As of 31 December 2014, long-term obligations are DKK 25,997,000 (2013: DKK 37,593,000). The long-term obligations mature within 5 years of the balance sheet date.



## Group Accounts 1. January – 31. December

### Notes

DKK '000s	2014	2013
<b>13 Employee matters</b>		
Labour costs are as follows:		
Wages and fees	73,369	89,274
Pension contributions	4,914	6,359
Other social security costs	5,672	6,025
	<u>83.955</u>	<u>101.658</u>
and are included as follows:		
Production costs	66,155	79,195
Distribution costs	5,248	7,954
Administration costs	10,459	10,822
Reorganisation costs and other special items	2,093	3,687
	<u>83.955</u>	<u>101.658</u>
Of which remuneration to board and management	<u>1,990</u>	<u>3,527</u>
Average employee total	<u>515</u>	<u>614</u>
Employee total 31 December	<u>520</u>	<u>528</u>
<b>14 Fee to auditor elected by AGM</b>		
The total fee to EY is:		
Statutory audit	260	325
Tax advice	38	115
Other services	112	77
	<u>410</u>	<u>517</u>
Total fee to network auditor abroad is:		
Statutory audit	147	221
Other services	0	57
	<u>147</u>	<u>278</u>

## Group Accounts 1. January – 31. December

### Notes

#### 15 Contingent assets and collateral security

Transport to bank in BB Electronics A/S insurance cover of receivables from sales and services.

A company security for DKK 60,000,000 has been created as security for obligations to credit institutions.

BB Electronics A/S forms a tax group with the parent company and as of 1 January, 2014, is jointly liable with the parent company for 62.48% of Danish corporation tax within the tax group. The known net obligations to SKAT of the tax group companies are shown in the annual accounts of the parent company (Axcel Industriinvestor a.s., CVR No. 17261444). Any later corrections of tax group income may result in a higher tax group liability.

#### 16 Operational leasing and rental agreements

Other than financial leasing contracts, the group has acquired operational leasing obligations with payments in the non-cancellation period totalling DKK 412,000 (2013: DKK 765,000). The leasing contracts have non-cancellation periods of up to 34 months.

The rental agreement in Denmark has a 12 month notice. The total rent for the notice period is DKK 1,300,000 (2013: DKK 5,957,000).

The non-cancellation period for the rental agreement in China ends on 30 September 2016. The total rent until this date is DKK 2,858,000 (2013: DKK 4,064,000).

#### 17 Related parties

BB Electronics A/S' related parties include the following:

##### Dominant influence

Axcel Industriinvestor a.s.  
Sankt Annæ Plads 10  
1250 Copenhagen K, Denmark

##### Background

Indirect co-owner

##### Transactions

Board fees DKK 40,000

##### Dominant influence

BB Electronics Holding A/S  
Ane Stauings Vej 21  
8700 Horsens, Denmark

##### Background

Principal shareholder

##### Transactions

Interest costs DKK 1,519,000

#### Ownership

The following shareholder is listed in the list of owners as holding 100% of the share capital:

BB Electronics Holding A/S  
Ane Stauings Vej 21  
8700 Horsens, Denmark

## Group Accounts 1. January – 31. December

### Notes

DKK '000s	2014	2013
<b>18 Cash-flow table - adjustments</b>		
Depreciation and amortisation on intangible and tangible fixed assets	9,599	12,109
Profit on sales of fixed assets	-162	-140
Losses from sales of fixed assets	126	41
Financial income	-743	-19
Financial costs	6,627	7,268
Tax on profit or loss for the year	1,836	115
Provisions adjustments	94	-489
	17.377	18.885
<b>19 Cash-flow table - working capital adjustment</b>		
Adjustment to receivables etc.	2,153	16,580
Adjustment to inventories	-4,347	25,317
Adjustment to suppliers and other obligations etc.	11,529	-37,619
Exchange rate adjustments	4,419	-689
	13.754	3.589

## Annual accounts 1. January – 31. December

### Profit and loss statement

Note	DKK '000s	2014	2013
1	<b>Net turnover</b>	315,033	371,171
7,8,13	Production costs	-294,063	-352,073
	<b>Gross profit or loss</b>	20.970	19.098
7,8,13	Distribution costs	-5,825	-7,130
7,8,13	Administration costs	-18,689	-21,469
	<b>Operating profit before special items</b>	-3.544	-9.501
2	Reorganisation costs	-4,814	-3,944
	<b>Operating profit</b>	-8.358	-13.445
3	Other operating income	8,302	4,582
3	Other operating costs	-167	-42
	<b>Operating profit</b>	-223	-8.905
9	Profit from capital shares in subsidiary after tax	1,635	-1,330
4	Financial income	11	385
5	Financial costs	-6,440	-5,497
	<b>Profit or loss before tax</b>	-5.017	-15.347
6	Tax on profit or loss for the year	-610	-504
	<b>Profit or loss for the year</b>	-5.627	-15.851
	<b>Suggested disbursement of profit or loss</b>		
11	Transferred to reserve for net increase at parity value	1,635	-1,330
11	Transferred profit or loss	-7,262	-14,521
		-5.627	-15.851

## Annual accounts 1. January – 31. December

### Balance sheet

Note	DKK '000s	2014	2013
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
7	<b>Intangible fixed assets</b>		
	Software	2,801	1,916
8	<b>Tangible fixed assets</b>		
	Interior fitting of rented premises	1,118	1,450
	Technical installations and machines	1,359	3,477
	Other installations, tools, and equipment	337	1,020
	Installations under construction	0	191
		2.814	6.138
9	<b>Financial assets</b>		
	Capital shares in subsidiaries	73,865	64,983
	Loans	1,821	1,821
		75.686	66.804
	<b>Total fixed assets</b>	81,301	74,858
	<b>Current assets</b>		
10	<b>Inventories</b>		
	Raw materials and consumables	26,403	23,407
	Semi-manufactured goods	3,194	4,672
	Stocks of products	3,625	7,630
	Payments in advance from customers	-469	-4,715
		32.753	30.994
	<b>Receivables</b>		
	Receivables from sales and services	59,302	60,966
	Loans	374	834
6	Deferred tax asset	15,124	15,124
	Deferred expenditure	1,191	1,660
		75.991	78.584
	<b>Total trading assets</b>	108,744	109,578
	<b>TOTAL ASSETS</b>	190,045	184,436

## Annual accounts 1. January – 31. December

### Balance sheet

Note	DKK '000s	2014	2013
	<b>LIABILITIES</b>		
11	<b>Shareholders' equity</b>		
	Authorised share capital	7,634	7,634
	Reserve for net increase at parity value	23,398	21,773
	<b>Total shareholders' equity</b>	31.032	29.407
	<b>Provisions for liabilities and charges</b>		
	Other provisions	264	251
	<b>Total provisions</b>	264	251
	<b>Obligations</b>		
12	<b>Long-term debt</b>		
	Credit institutions	25,000	37,500
	Other long-term debt	997	93
		25.997	37.593
	<b>Short-term debt</b>		
12	Short-term part of long-term obligations	13,496	12,570
	Credit institutions	12,806	13,728
	Trade creditors and other accounts payable	26,449	18,451
	Payments in advance from customers	860	2,329
6	Corporation tax	190	137
	Debts and loans from subsidiaries	68,658	52,047
	Other long-term liabilities	10,293	17,923
		132.752	117.185
	<b>Total obligations</b>	158,749	154,778
	<b>TOTAL LIABILITIES</b>	190,045	184,436

- 13 Employee matters
  - 14 Contingent assets and collateral security
  - 15 Operational leasing and rental agreements
  - 16 Fee to auditor elected by AGM
  - 17 Related parties
- Accounting practice applied, pp. 39 - 43

## Annual accounts 1. January – 31. December

### Notes

DKK '000s	2014	2013
<b>1 Net turnover</b>		
Business area distribution is defined as follows:		
Industry	182,244	189,711
Professional Telecom's/IT	63,389	127,770
Subsidiary	699	2,678
Other	68,701	51,012
	<u>315.033</u>	<u>371.171</u>
Geographical market distribution is specified as follows:		
Denmark	183,201	204,073
Rest of Europe	106,028	154,660
North America	17,138	6,453
Asia	4,644	3,057
Other	4,022	2,928
	<u>315.033</u>	<u>371.171</u>
<b>2 Reorganisation costs</b>		
Consumption costs for sold premises	0	72
Restructuring etc.	4,814	3,872
	<u>4.814</u>	<u>3.944</u>
<b>3 Other operating income and costs</b>		
Other operating income:		
Profit on sales of fixed assets	3,463	140
Other income	4,839	4,442
	<u>8.302</u>	<u>4.582</u>
Other operating costs		
Losses from sales of fixed assets	126	42
Other costs	41	0
	<u>167</u>	<u>42</u>

## Annual accounts 1. January – 31. December

### Notes

DKK '000s	2014	2013	
<b>4 Financial income</b>			
Subsidiaries	10	225	
Exchange rate gain	0	150	
Other financial income	1	10	
	<u>11</u>	<u>385</u>	
<b>5 Financial costs</b>			
Subsidiaries	1,519	1,583	
Exchange losses	2,091	0	
Other financial costs	2,830	3,914	
	<u>6.440</u>	<u>5.497</u>	
<b>6 Corporation tax and deferred tax</b>			
		<b>Tax as per profit and loss statement</b>	
DKK '000s	<b>Corporation tax liability</b>	<b>Deferred tax asset</b>	
Opening balance, January 1, 2013	260	15,124	-
Adjustment of deferred tax for the year	-	0	0
Corporation tax paid	-730	-	-
Tax on changes in retained capital	0	0	-103
Tax on income for the year	607	-	607
<b>Closing balance, 31 December 2013</b>	<u>137</u>	<u>15,124</u>	<u>504</u>
Opening balance, 1 January 2014	137	15,124	-
Adjustment of deferred tax for the year	-	0	0
Corporation tax paid	-559	-	-
Tax on changes in retained capital	0	0	-2
Tax on income for the year	612	-	612
<b>Closing balance, 31 December 2014</b>	<u>190</u>	<u>15,124</u>	<u>610</u>



## Annual accounts 1. January – 31. December

### Notes

<b>7 Intangible fixed assets</b>	
<b>DKK '000s</b>	<b>Software</b>
Cost price 1. January 2014	21,316
Accrual for the year	3,019
Disposals for the year	0
Cost price 31. December 2014	24.335
Depreciation 1. January 2014	-19,400
Depreciation for the year	-2,134
Previous depreciation on disposals for the year written back	0
Depreciation 31. December 2014	-21.534
<b>Balance sheet value 31. December 2014</b>	<b>2,801</b>

Depreciation on intangible fixed assets are included under the following entries:

<b>DKK '000s</b>	<b>2014</b>	<b>2013</b>
Production costs	604	1,219
Distribution costs	97	104
Administration costs	1433	864
	<u>2.134</u>	<u>2.187</u>

## Annual accounts 1. January – 31. December

### Notes

#### 8 Tangible fixed assets

DKK '000s	Interior fitting of rented premises	Technical installations and machines	Other installations, tools, and equipment	Installations under construction	Total
Cost price 1. January 2014	13,049	90,222	20,552	191	124.014
Transfers	0	191	0	-191	0
Accrual for the year	390	40	0	0	430
Disposals for the year	0	-20,698	-726	0	-21.424
Cost price 31. December 2014	13.439	69.755	19.826	0	103.020
Depreciation 1. January 2014	-11,599	-86,745	-19,532	-	-117.876
Depreciation for the year	-722	-1,608	-505	-	-2.835
Previous depreciation on disposals for the year written back	0	19,957	548	-	20.505
Depreciation 31. December 2014	-12.321	-68.396	-19.489	-	-100.206
<b>Balance sheet value 31. December 2014</b>	<b>1,118</b>	<b>1,359</b>	<b>337</b>	<b>0</b>	<b>2.814</b>

Depreciation on tangible fixed assets is included under the following entries:

DKK '000s	2014	2013
Production costs	2,490	4,308
Distribution costs	55	99
Administration costs	290	753
	<b>2.835</b>	<b>5.160</b>

## Annual accounts 1. January – 31. December

### Notes

#### 9 Financial assets

DKK '000s	Capital shares in subsidiaries	Loans
Cost price 1. January 2014	35,584	1,821
Cost price 31. December 2014	35.584	1.821
Revaluation 1. January 2014	29,399	0
Profit or loss for the year after tax	1,635	0
Exchange adjustment	7,247	0
Revaluation 31. December 2014	38.281	0
<b>Balance sheet value 31. December 2014</b>	<b>73,865</b>	<b>1,821</b>

Capital shares in subsidiaries is specified as follows:

	Principal place of business	Share capital	Vote and ownership share
BB Electronics (Suzhou) Co. Ltd.	China	45,634 TCNY	100%
BB Trading (Suzhou) Co. Ltd.	China	546 TCNY	100%

#### 10 Inventories

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

## Annual accounts 1. January – 31. December

### Notes

#### 11 Shareholders' equity

DKK '000s	Authorised share capital	Reserve for net increase	Transferred profit or loss	Total
Shareholders' equity, 1 January 2013	7,634	31,864	6,587	46.085
Revaluation of security instruments	-	0	411	411
Tax on shareholders' equity entries	-	0	-103	- 103
Exchange adjustment for subsidiary	-	-1,135	0	-1.135
Profit or loss for the year	-	-1,330	-14,521	-15.851
Absorption of losses	-	-7,626	7,626	0
<b>Shareholders' equity, 31 December 2013</b>	<b>7,634</b>	<b>21.773</b>	<b>0</b>	<b>29.407</b>
Revaluation of security instruments	-	0	7	7
Tax on shareholders' equity entries	-	0	-2	-2
Exchange adjustment for subsidiary	-	7,247	0	7.247
Profit or loss for the year	-	1,635	-7,262	-5.627
Absorption of losses	-	-7,257	7,257	0
Revaluations for the year	-	1.625	0	1.625
<b>Shareholders' equity, 31 December 2014</b>	<b>7,634</b>	<b>23,398</b>	<b>0</b>	<b>31.032</b>

As of 31 December, 2014, the shareholders' equity stood at 76,340 shares @ DKK 100.

The shareholders' equity has been unchanged for the past 5 years.

#### 12 Long-term obligations

Capital repayments due within 1 year are counted under short-term obligations. As of 31 December 2014, long-term obligations are DKK 25,997,000 (2013: DKK 37,593,000). The long-term obligations mature within 5 years of the balance sheet date.

## Annual accounts 1. January – 31. December

### Notes

#### 13 Employee matters

Labour costs are as follows:

DKK '000s	2014	2013
Wages and fees	44,278	61,825
Pension contributions	3,586	5,101
Other social security costs	1,079	1,673
	<u>48.943</u>	<u>68.599</u>

and are included as follows:

Production costs	34,328	49,378
Distribution costs	5,229	7,220
Administration costs	7,293	8,314
Reorganisation costs	2,093	3,687
	<u>48.943</u>	<u>68.599</u>
Of which remuneration to board and management	1,990	3,527
Average employee total	111	168
Employee total 31 December	104	142

#### 14 Contingent assets and collateral security

Transport to bank in company's insurance cover of receivables from sales and services.

A company security for DKK 60,000,000 has been created as security for obligations to credit institutions.

The company forms a tax group with the parent company and as of 1 January, 2014, is jointly liable with the parent company for 62.48% of Danish corporation tax within the tax group. The known net obligations to SKAT of the tax group companies are shown in the annual accounts of the parent company (Axcel Industriinvestor a.s., CVR No. 17261444). Any later corrections of tax group income may result in a higher tax group liability.

#### 15 Operational leasing and rental agreements

Other than financial leasing contracts, the group has acquired operational leasing obligations with payments in the non-cancellation period totalling DKK 412,000 (2013: DKK 765,000). The leasing contracts have non-cancellation periods of up to 34 months.

Rental agreement has a 12 month notice period. The total rent for the notice period is DKK 1,300,000 (2013: DKK 5,957,000).

## Annual accounts 1. January – 31. December

### Notes

#### 16 Fee to auditor elected by AGM

The total fee to EY is:

DKK '000s	2014	2013
Statutory audit	260	325
Tax advice	38	115
Other services	112	77
	<u>410</u>	<u>517</u>

#### 17 Related parties

BB Electronics A/S' related parties include the following:

Dominant influence	Background	Transactions
BB Electronics Holding A/S Ane Staunings Vej 21 8700 Horsens, Denmark	Principal shareholder	Interest costs DKK 1,519,000
BB Electronics Invest ApS Sankt Annæ Plads 10 1250 Copenhagen K, Denmark	Indirect co-owner	None
Axcel Industriinvestor a.s. Sankt Annæ Plads 10 1250 Copenhagen K, Denmark	Indirect co-owner	Board fees DKK 40,000
BB Electronics (Suzhou) Co. Ltd. China	Subsidiary	Product sales: Product sales DKK 699,000 IT services DKK 2,982,000 Sales commissions DKK 1,746,000  Product purchases: Product purchases DKK 165,018,000
BB Trading (Suzhou) Co. Ltd. China	Subsidiary	Admin. service DKK 0,000

#### Ownership

The following shareholder is listed in the list of owners as holding 100% of the share capital:

BB Electronics Holding A/S  
Ane Staunings Vej 21  
8700 Horsens, Denmark

## Group accounts and annual accounts 1. January – 31. December

### Applied accounting practice

The group accounts and annual accounts BB Electronics A/S for 2014 have been prepared in accordance with the Danish Financial Statement Act regarding a large Class C company. The applied accounting practice remains unchanged from previous year.

The company forms part of the group accounts for Axcel Industriinvestor a.s.

### Group accounts

The group accounts include the parent company, BB Electronics A/S, and subsidiaries in which the parent - directly or indirectly - owns the majority of voting rights or in which the parent company via share ownership or otherwise holds dominant influence.

The group accounts are produced as a conglomeration of the audited annual accounts of the parent company and subsidiaries, all of which are prepared in accordance with the accounting practice of the BB Electronics group.

The consolidation eliminates incomes and costs internal to the group, internal balances and dividends, and realised and unrealised profits and losses arising from transactions between the consolidated companies.

The capital shares held by the parent company in consolidated subsidiaries are netted against the share of the parent company in the balance sheet value of the subsidiaries as recorded at the time of establishment of the group relationship.

### Conversion of foreign currencies

Foreign currency transactions throughout the year have been converted to the rate in force on the transaction date. Gains and losses arising between rates on transaction and payment days are included in the profit and loss account under financial entries.

Receivables, obligations, and other monetary entries in foreign currencies are converted to the rate of the balance sheet date. The exchange rate difference between balance sheet date and transaction date is included in the profit and loss account under financial entries.

The group's foreign subsidiaries are independent units. The profit and loss accounts are converted to an average exchange rate, while balance sheet entries are converted to the rate on the balance sheet date. Currency adjustments arising from conversion of subsidiaries' shareholders' equity at the opening of the year and currency adjustments arising from conversion of the profit and loss account from an average conversion rate to the rate of the balance sheet date are entered directly in the shareholders' equity.

### Derived financial instruments

Derived financial instruments are initially entered into the balance sheet at cost price and subsequently at current value. Positive and negative current values of derived financial instruments are entered under receivables respectively other obligations.

Changes in current value of derived financial instruments classified as and which satisfy the conditions for securing the current value of an included asset or an included obligation are included in the profit and loss account together with any changes in the current value of the secured asset or the secured obligation.

Changes in current value of derived financial instruments classified as and which satisfy the conditions for securing expected future transactions regarding purchases and sales in foreign currencies are included under other receivables or other obligations and in the shareholders' equity. If the expected future transaction leads to inclusion of assets or obligations, sums deferred under shareholders' equity are transferred from shareholders' equity and included in the cost price for the asset or obligation. Sums deferred under shareholders' equity are transferred to the profit and loss account of the period in which the secured item affects the profit and loss account.

## Group accounts and annual accounts 1. January – 31. December

### Applied accounting practice

#### Segment information

The turnover is specified in business segments and geographic markets. Information about business segments and geographic markets are based on revenue and risk as well as internal financial management.

### Profit and loss statement

#### Net turnover

Net turnover from sales of goods and manufactured products is included in the profit and loss account, provided delivery and risk transferral to buyer has taken place before year end. Net turnover is included exclusive of value added tax, other taxes, and sales related discounts.

#### Production costs

Production costs include costs incurred to achieve the net turnover for the year, including direct and indirect raw materials and consumables, wages and fees, rental and leasing, and depreciation on production installations.

#### Distribution costs

Under distribution costs are included costs related to distribution of goods sold throughout the year and any sales campaigns etc. This includes costs related to sales staff, advertising and exhibition costs, and depreciation.

#### Reorganisation costs

Reorganisation costs include significant one-time sums that cannot be included under daily operations, such as, for example, staff and production facility downsizing costs and any write-backs.

#### Other operating income/costs

Other operating income and costs include entries of secondary character in relation to the main activities of the company, such as profits and losses in regard to sales of intangible and tangible fixed assets.

#### Financial entries

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

#### Corporation tax and deferred tax

The parent company forms a tax group with Axcel Industriinvestor a.s. International joint taxation has been deselected. The current corporation tax is shared between the tax group companies relative to their taxable income (full distribution with allowance for tax losses). The tax group companies employ the tax on account scheme.

The tax for the year consists of the current tax and deferred tax for the year, and is recognised in the profit and loss account with the part directly associated with the income statement, while tax directly relating to shareholders' equity is taken directly to equity.



## Group accounts and annual accounts 1. January – 31. December

### Applied accounting practice

Deferred tax is calculated by the balance sheet liability method using all temporary differences between accounts value and tax value of assets and obligations.

Deferred tax assets, including the taxable value of carry-over tax losses, are calculated at the value at which the asset is expected to be realised, either by off-setting tax on future earnings or off-setting against deferred tax obligations.

### Balance sheet

#### Intangible fixed assets

##### Software

Software is calculated at cost price minus accumulated depreciation and amortisation. Software is amortised over the estimated useful life, but not more than 5 years. Software is amortised to the recovery value, provided this is lower than the book value.

#### Tangible fixed assets

Interior fitting of rented premises, technical installations and machines, and other installations, tools and equipment are calculated at cost price minus accumulated depreciation and amortisation.

The amortisation basis is cost price minus expected residual value at end of working life.

Cost price includes purchase price and costs directly related to the purchase up until the time when the asset is ready to be taken into use. For assets produced in-house, the cost price includes cost of materials, components, sub-contractors, direct wages, and indirect production costs.

Linear amortisation is performed on the basis of the below evaluation of expected asset working life:

Interior fitting of rented premises	5 years
Technical installations and machines	5 - 8 years
Other installations, tools, and equipment	3 - 8 years

The balance sheet value of tangible fixed assets is evaluated on an on-going basis and amortised to recovery value in the profit and loss account if the balance sheet value exceeds expected future net income to which the installations are related.

Leasing contracts related to tangible fixed assets, where the company holds all material risk and advantage in connection with ownership (financial leasing) are calculated through initial recognition in the balance at lowest current value and the present worth of future leasing payments. When calculating the present worth, the internal interest rate of the leasing agreement is applied as the discount rate, or an approximated value for same. Financially leased assets are hereinafter treated equal to the company's other tangible fixed assets.

The capitalized remaining leasing obligation is recognised in the balance as an obligation and the interest element of the leasing payment is recognised throughout the contract in the profit and loss account.

## Group accounts and annual accounts 1. January – 31. December

### Applied accounting practice

#### Financial assets

##### *Capital shares in subsidiaries*

In the parent company profit and loss account will be recognized the proportional share of the result after tax of subsidiaries subsequent to full elimination of internal profit/loss.

Capital shares in subsidiaries are recognised in the balance sheet to the proportional share of the balance sheet value as calculated on the accounting practice for the parent company while subtracting or adding unrealised profits and losses in the group.

Net revaluation increases in subsidiaries are transferred under shareholders' equity to reserve for net increases using the equity method in the extent the balance sheet value exceeds the purchase value.

#### Current assets

##### *Inventories*

Inventories are calculated at cost price on the basis of the FIFO principle. Where cost price is higher than the net realisation value, the value is written down.

Cost price on goods, raw materials, and consumables are recognised at purchase price with the addition of costs related to bringing on-site.

Cost price for manufactured products and products in manufacture includes cost price for raw materials, consumables, direct wages and indirect production costs. Indirect production costs include indirect materials and wages, maintenance of and depreciation on machines and equipment used in production, and factory administration and management costs.

The net realisation value for inventories is calculated as the sales price excluding finishing costs and costs related to achieving sales, and is established with due consideration of merchantability, obsolescence, and development in expected sales price. Pre-payments received from customers is recognised as a separate item.

##### *Receivables*

Receivables are calculated at amortised cost price, usually equal to nominal value. Amortisation in mitigation of expected losses is carried out after individual evaluation.

##### *Deferred expenditure*

Deferred expenditure recognised under assets include expenditure actually incurred related to the following accounting year.

##### *Shareholders' equity*

Expected dividend for the year is shown as a separate item under shareholders' equity. Dividend is recognised as an obligation when it is approved by the AGM.

##### *Provisions for liabilities and charges*

Provisions for liabilities and charges includes expected warranty obligations and other unknown circumstances.

Provisions for liabilities and charges are recognised when the parent company/group as a result of a previous event has a legal or actual obligation and it is likely that settling the obligation will require expenditure of the financial resources of the parent company/group.

## Group accounts and annual accounts 1. January – 31. December

### Applied accounting practice

#### *Financial obligations*

Financial obligations are recognised at the time of loan origination at the proceeds received excepting any realised transaction costs. In subsequent periods, financial obligations are recognised at amortised cost price analogous to the capitalised value using the effective interest rate, so that the difference between the proceeds received and the nominal value is recognised in the profit and loss account throughout the credit duration.

The item financial obligations also includes capitalised leasing remainder related to financial leasing contracts.

Other obligations, including accounts payable with suppliers, liabilities related to subsidiaries, and other debts, are calculated at amortised cost price, usually the same as nominal value.

#### **Cash-flow table**

The cash-flow table shows the group cash-flows for the year divided into operating activities, investment activities, and financial activities for the year, liquid asset transfers and liquid assets at the opening and closing of the year.

#### **Cash-flow from operating activities**

Cash-flow from operating activities is recognised as the profit or loss for the year adjusted for non-cash operating items, change in working capital, and corporation tax paid.

#### **Cash-flow from investment activities**

Cash-flow from investment activities includes payment related to acquisition and sale of companies and activities as well as acquisitions and sales of intangible, tangible, and financial fixed assets.

#### **Cash-flow from financing activities**

Cash-flow from financing activities includes payments to and from shareholders, borrowing, and interest and capital repayment on net interest-bearing debts.

#### **Liquid assets**

Liquid assets includes liquid cash and realised drawings on overdraft facilities.