

BB Electronics A/S

Ane Staunings Vej 21, 8700 Horsens

CVR No. 21 66 25 34

Annual Report 2015

Approved at the company's regular AGM on 26 January 2016

Chair:

.....
Ole Steen Andersen

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Management Statement

On this day, the Board and management have discussed and approved the Annual Report for BB Electronics A/S the accounting year 1 January – 31 December 2015.

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 2015 and of the result of group and company activities and group cash-flows for the accounting year 1 January – 31 December 2015.

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 26 January 2016
Management:

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Carsten Christensen
Managing Director

Board:

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Ole Steen Andersen
Chairman

.....
Søren Lindberg Cristofoli
Vice-Chairman

.....
Per Blinkenberg-Thrane
Vice-Chairman

.....
Sven Ruder

.....
Folmer Rud Hansen

.....
Malene Braskhøj Bust Pihl
employee representative

.....
Trine Laila Bruhn
employee representative

.....
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 2015, including profit and loss statement, balance sheet, shareholders' equity inventory, notes and accounting practice applied for the group as well as the company and a cash flow table 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

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 2015 and of the result of group and company activities and group cash-flows for the accounting year 1 January – 31 December 2015 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 26 January 2016

ERNST & YOUNG
Certified audit company
CVR No. 30 70 02 28

Jes Lauritzen
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.
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, CVR No. 30700228.

Management report

Primary figures and key performance indicators for the group

DKK '000s	2015	2014	2013	2012	2011
Primary figures					
Net turnover	422,688	365,113	425,042	583,243	703,994
EBITDA before special items	26,224	16,470	9,256	13,368	69,601
Special items	-2,413	-4,814	-5,733	-19,057	-893
Of which depreciation/losses	-	-	-	13,040	900
EBITDA	23,811	11,656	3,523	7,351	69,608
Operating profit	15,480	1,781	-8,793	-24,557	50,071
Net financial result	-5,451	-5,884	-7,249	-5,699	-11,487
Profit or loss for the year	7,337	-5,627	-15,851	-35,012	29,872
Fixed assets	16,282	20,203	23,110	32,594	33,082
Current assets	197,318	186,953	182,333	230,526	308,963
Total assets (balance sheet total)	213,600	207,156	205,443	263,120	342,045
Authorised share capital	7,634	7,634	7,634	7,634	7,634
Shareholders' equity	43,046	31,032	29,407	46,085	81,064
Provisions for liabilities and charges	561	264	663	1,152	239
Long-term obligations	12,580	25,997	37,593	329	1,268
Short-term obligations	157,413	149,863	137,780	215,554	259,474
Cash flow from operating activities	22,464	24,945	5,893	22,126	72,447
Cash flow to investment activities	-3,961	-5,160	296	2,285	-11,928
Of which invested in tangible fixed assets	-3,910	-3,109	-1,699	-17,966	-7,987
Cash flow from financial activities	-19,423	-16,050	41,844	-49,935	-17,654
Change in liquid assets	-920	3,735	48,033	-25,524	42,865
Ratios					
EBITDA margin before special items (%)	6.2	4.5	2.2	2.3	9.9
EBIT margin (%)	3.7	0.6	-2.0	-4.2	7.2
Return on equity (%)	19.8	-18.6	-42.0	-55.1	47.2
Solidity (%) incl. BB Electronics Holding A/S	39.1	34.8	33.9	33.1	42.9
Net interest-bearing debt, BB Electronics Holding A/S	29,698	41,728	58,674	57,084	50,073
Mean employment	488	515	614	666	696

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 shareholders' equity

Solidity incl. BB Electronics Holding A/S:

Shareholders' equity period end x 100/Total assets period end

Net interest-bearing debt
minus liquid capital

Obligations to mortgage credit institutions and credit institutions

Key performance indicators have been calculated in accordance with Danish Finance Society's "Recommendations and Key Performance Indicators 2015" (Den Danske Finansforenings "Anbefalinger og Nøgletal 2015").

Management report

Report

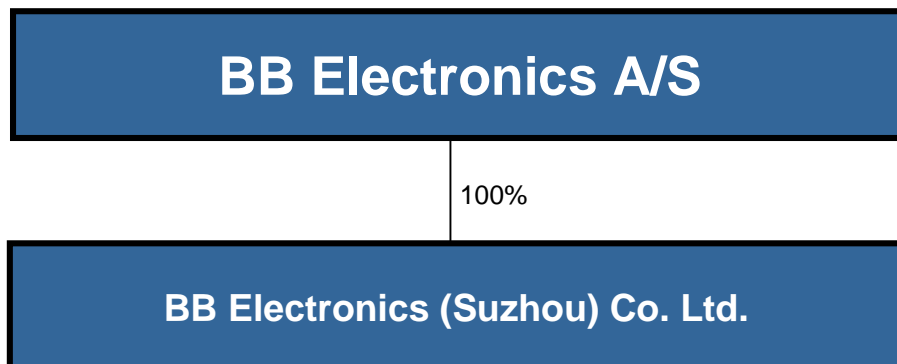
With the launch of the growth strategy BB PLUS in 2014 and the continued implementation of same in 2015, BB Electronics has increased its market orientation and created an attractive range of internationally competitive service products. This way, BB Electronics services build on standardised processes at and between production facilities in both China and Denmark. Technology and quality at all levels are primary priorities, to which is added the commercial and value generating superstructure, leading to tangible products for our customers.

The marketing strategy BB PLUS focuses 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.

As a result, the constant focus on cost optimisation has meant that robot technology continues on its exponential development path and has gained significant foothold with BB Electronics customers in 2015. The introduction of robot technology back in 2013 ensures the development and retaining of difficult to access knowledge and the specialised technological basis for further progress in automation to the benefit of customers, BB Electronics, and the owners. This makes it possible to make medium volume production near customer series development. We are still realising strong growth in this area and have several on-going projects set for expansion over the coming years.

BB Electronics expects additional turnover growth in 2016. The growth comes from increases from the current customer portfolio and a number of new customers. We have entered into collaboration with a number of important new partners in 2015, and this will have a visible, positive effect on future turnover and also ensure a significant growth in profits for 2016.

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

Total turnover for 2015 was MDKK 422, a 16% increase over 2014 (MDKK 365), which for 2015 can be attributed to a larger and expected increase in turnover from several large customers.

In 2015, the group realised a total turnover (EBITDA) before special items of MDKK 26 (MDKK 16) and a result before tax of MDKK 7 (MDKK -6). The improvement is based on turnover increase and a changed customer/product mix, leading to considerably improved competitiveness.

Both turnover and costs have been affected by currency rate fluctuations in USD and CNY, primarily in Q1. For the year as a whole, the net effect on the result has been neutral.

The result for the year is still influenced negatively by special items in the shape of costs totalling MDKK -2. Special items can be attributed to reorganisation costs.

The development in the result for the year exceeds the budget and Management considers the total result to be satisfactory.

The balance sheet total for the group at the end of the accounting year was MDKK 214 compared with MDKK 207 the previous year. The increase is due to accounts receivable from sales and services resulting from increased activity. Total investments were MDKK 4.

Cash flow from operations activities was MDKK 22 (MDKK 25).

Turnover

Turnover for 2015 rose by MDKK 58 when compared with 2014. The increase was as expected and is attributable to a greater and expected increase in turnover with several large customers. The customer portfolio has shown a positive development with a 16% growth, and this development is expected to continue in 2016.

BB Electronics enjoys a strong and loyal customer base showing product programme development, resulting in a positive effect for 2015, 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. 2015 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

During the year, we have worked intensively on significant automation projects that have now been fully implemented. Throughout 2016, we will continue to invest in strategic automation projects both at the Horsens and Suzhou (China) plants in order to support new business opportunities and improve the profitability of existing business.

Although 2016 will show increased growth in China, measured in per cent, we will also use our automation strategy to target growth in Horsens.

The continued use of LEAN and further training of employees in this has had a positive impact on efficiency.

In collaboration with our suppliers, we have achieved better flexibility through a stronger focus on agreements on optimum order sizes and extended agreements with suppliers. This activity will continue in 2016.

Together with a range of customers, we have implemented new logistics models, ensuring higher flexibility, less stock, and better ability to deliver. This activity will also continue in 2016.

The overall expectation for BB Electronics earnings for 2016 is that the company will continue the positive development seen over the past 3 years. This will happen on the basis of further improvements in the cost base as well as the on-going improvement projects being implemented at both plants.

Management report

Report

Main business segments

The turnover increase can be attributed to the customer segment Industry, rising from MDKK 227 in 2014 to MDKK 281 in 2015. The other customer - segments have seen a more stable turnover development, see 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 MDKK -2 before tax. The sum is related to re-structuring 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 2015 BB Electronics' net interest-bearing debt totals MDKK 30 (2014: MDKK 42), which is considered a reasonable level. Net interest-bearing debt as of 31 December 2015 is influenced by the receipt of an extraordinary payment of MDKK 7 from a customer as surety against expanded business scope.

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. In 2016, we will continue the work on automation and robotics for, e.g., box-build.

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 2015, BB Electronics increased the customer focus with the introduction of the market strategy BB Plus. This is a natural next step in continuation of the thorough value chain standardisation that the company has gone through in 2013 and 2014.

Employee matters

In 2015, the company has adjusted further to the competitive situation.

The staff in China now makes up 82 % of the full-time employees, while the share in Denmark is 18 %. In the Suzhou area, the average seniority for hourly paid employees is 0.8 years, with the BB Electronics staff at the Suzhou factory being 2.9 years for direct employees and 4.2 years for indirect employees, both significantly above average. At the factory in Denmark, Horsens, the average seniority for direct employees is 14.4 years, while it is 11.7 years for indirect employees.

Management report

Report

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.

Regulatory societal responsibility report

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 societal responsibility report covers the accounting period 1 January - 31 December 2015.

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

BB Electronics acknowledges the right to freedom 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 ISO9001, ISO14001, OHSAS18001, 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.

Through appraisal interviews and individual development programmes, BB Electronics achieve on-going evaluations of employee welfare. This ensures a work-life balance, a pleasant working environment, and healthy employees. The 2.6% absence through illness in Denmark is quite a low level. In China, the absence through sickness has stabilised on a low level of 1.39 % as it also was in 2014.

BB Electronics is committed to ensuring that the company's employees enjoy a healthy and safe workplace. The goal is to foster a strong safety 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 2015 goal for BB Electronics was 0 accidents.

In 2015, there were no serious accidents in the Danish or the Chinese plants.

Management report

Report

Production in Denmark and China

As per the end of 2015, BB Electronics employs 496 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 99, more than half of whom are women. Ages between 27 and 63. 56 direct employees, 43 indirect employees. BB Electronics China employees 451 people between 19 and 43 years of age. More than half are women, 289 are direct employees, and 162 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 2015.

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.

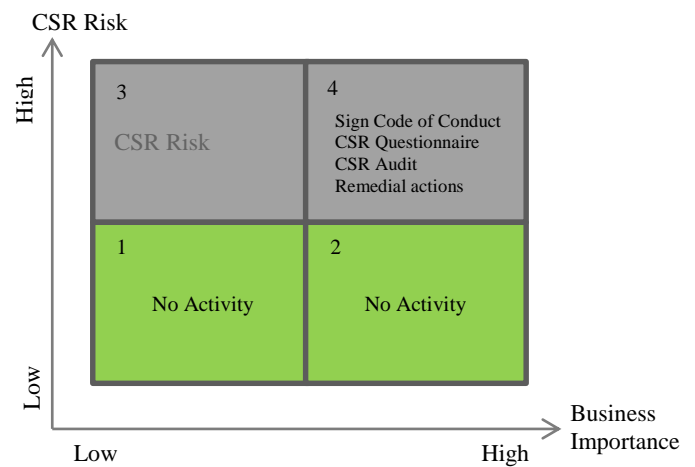
Products manufactured by BB Electronics are highly complex constructions, made from a wide range of different components. A typical product would consist of raw PCB (Printed Circuit Board), components ranging from semiconductors, passives, plastic and

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.

Supplier segmentation



BB Electronics has carried out risk evaluations for all suppliers according to CSR and arrived at the following results:

- ▶ 130 suppliers in segments 3 and 4 (CSR critical suppliers)
- ▶ 104 of the suppliers mentioned above have signed the BB Electronics Code of Conduct
- ▶ 21 CSR audits performed.

Management report

Report

The follow-up on any deviations is done by the BB Electronics quality department. Deviations 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 2015.

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 79 % in 2015. 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 2016.

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 to 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.

Management report

Report

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.

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, being followed. Read more about DVCA at 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 affecting 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.

Management report

Report

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.

Management report

Report

The board of BB Electronics A/S ensures that the management complies with approved goals, strategies and business processes. Management forwards a monthly written report on the group's financial position, profitability development, and capital resources. 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 are called when circumstances so dictate.

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% 3 years from now.
- ▶ The proportion of female senior managers in daily management is currently 50 %, and the target here is also not less than 25%.

Board and management remuneration

In order to attract and retain management skills to the group, management and senior staff are remunerated with consideration to work tasks, value creation, and terms 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 2015.

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 authorised 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 2015, the net interest-bearing debts in BB Electronics, including BB Electronics Holding, totals MDKK 30 (2014: MDKK 42), which is considered a reasonable level.

Out of the interest-bearing debt of MDKK 30, MDKK 25 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 2015 is 39.1 %.

Events after completion of annual accounts

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

Management report

Report

Expected development

The BB Plus strategy that was implemented at the end of 2014, what with the strong profit improvement and top line growth as early as last year, has got off to a good start as reflected in the growing activity levels. This is a 5-year plan where the intention is that we take a step up year after year and maintain our focus on long-term goals. Our "One Company Approach" and our values are two of the cornerstones of BB Plus, and must be remembered when developing and offering services and activities. Our competent and experienced sales organisation have many years' EMS experience and market knowledge which we have added to in the past year, and will continue to focus on growth with existing customers while also developing new partnerships with a focus on visible value addition for the customer, including the following elements:

- ▶ **High product quality** via well-structured procedures and the use of automated solutions with robots, ensuring high repeatability.
- ▶ **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.

Our Program Management function, anchored in the factories, where we make products for our customers, also ensures efficient operational contact with customers around the world, allowing us to keep customers updated on all aspects with fast and precise information.

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	2015	2014
1	Net turnover	422,688	365,113
7,8,13	Production costs	-376,231	-324,757
	Gross profit or loss	46,457	40,356
7,8,13	Distribution costs	-5,429	-5,940
7,8,13	Administration costs	-23,135	-27,821
	Operating profit before special items	17,893	6,595
2	Reorganisation costs	-2,413	-4,814
	Operating profit	15,480	1,781
3	Other operating income	268	692
3	Other operating costs	-58	-380
	Operating profit	15,690	2,093
4	Financial income	1,831	743
5	Financial costs	-7,282	-6,627
	Profit or loss before tax	10,239	-3,791
6	Tax on profit or loss for the year	-2,902	-1,836
	Profit or loss for the year	7,337	-5,627
	Proposed disbursement of profit or loss		
11	Transferred profit or loss	7,337	-5,627
		7,337	-5,627

Group accounts 1 January – 31 December

Balance sheet

Note	DKK '000s	2015	2014
	ASSETS		
	Fixed assets		
7	Intangible fixed assets		
	Software	1,495	2,811
8	Tangible fixed assets		
	Interior fitting of rented premises	1,072	1,484
	Technical installations and machines	11,322	13,194
	Other installations, tools, and equipment	556	877
		12,950	15,555
9	Financial assets		
	Other receivables	1,837	1,837
	Total fixed assets	16,282	20,203
	Current assets		
10	Inventories		
	Raw materials and consumables	71,227	64,365
	Semi-manufactured goods	5,057	7,000
	Stocks of products	4,552	6,700
	Payments in advance from customers	-4,996	-1,343
		75,840	76,722
	Receivables		
	Receivables from sales and services	83,239	74,472
	Other receivables	3,498	2,241
6	Deferred tax	21,245	23,041
	Deferred expenditure	1,928	1,899
		109,910	101,653
	Liquid capital	11,568	8,578
	Total trading assets	197,318	186,953
	TOTAL ASSETS	213,600	207,156

Group accounts 1 January – 31 December

Balance sheet

Note	DKK '000s	2015	2014
	LIABILITIES		
11	Shareholders' equity		
	Authorised share capital	7,634	7,634
	Transferred profit or loss	35,412	23,398
	Total shareholders' equity	43,046	31,032
	Provisions for liabilities and charges		
	Other provisions for liabilities and charges	561	264
	Total provisions for liabilities and charges	561	264
	Obligations		
12	Long-term obligations		
	Credit institutions	12,500	25,000
	Other long-term obligations	80	997
		12,580	25,997
	Short-term obligations		
12	Short-term part of long-term obligations	13,538	13,496
	Credit institutions	16,145	12,806
	Trade creditors and other accounts payable	68,921	62,577
	Payments in advance from customers	167	860
6	Corporation tax	0	190
	Debts and loans from subsidiaries	40,250	40,847
	Other long-term liabilities	18,392	19,087
		157,413	149,863
	Total obligations	169,993	175,860
	TOTAL LIABILITIES	213,600	207,156
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. 40 - 44		

Group accounts 1 January – 31 December

Cash-flow table

Note	DKK '000s	2015	2014
	Profit or loss for the year	7,337	-5,627
18	Adjustments	16,405	17,377
19	Capital equipment change	-561	13,754
	Monetary flows from operations	23,181	25,504
6	Corporation tax paid	-717	-559
	Monetary flow from operating activities	22,464	24,945
	Purchases of intangible fixed assets	-135	-3,019
	Purchases of tangible fixed assets	-3,910	-3,109
	Sales of financial assets	0	12
	Sales of tangible fixed assets	84	956
	Monetary flow to investment activities	-3,961	-5,160
	Net change in obligations	-13,375	-10,669
	Change in debts and loans from subsidiaries	-597	503
	Financial income, received	1,831	743
	Financial costs, paid	-7,282	-6,627
	Monetary flow from financing activities	-19,423	-16,050
	Change in liquid assets	-920	3,735
	Liquid assets, 1 January	-4,228	-8,511
	Revaluation of opening liquid assets	571	548
	Liquid assets, 31 December	-4,577	-4,228
	Liquid assets is defined as follows:		
	Liquid capital	11,568	8,578
	Short-term obligations to credit institutions	-16,145	-12,806
		-4,577	-4,228

Group accounts 1 January – 31 December

Notes

DKK '000s	2015	2014
1 Net turnover		
Business area distribution is defined as follows:		
Industry	281,258	227,228
Professional telecomm's/IT	53,579	63,389
Other	87,851	74,496
	422,688	365,113
Geographical market distribution is specified as follows:		
Denmark	268,299	223,042
Rest of Europe	87,935	107,773
North America	29,448	17,146
Asia	13,748	13,090
Other	23,258	4,062
	422,688	365,113
2 Reorganisation costs		
Restructuring etc.	2,413	4,814
3 Other operating income and other operating costs		
Other operating income:		
Profit on sales of fixed assets	83	162
Other income	185	530
	268	692
Other operating costs		
Losses from sales of fixed assets	0	126
Other costs	58	254
	58	380
4 Financial income		
Exchange gains	1,794	733
Other financial income	37	10
	1,831	743

Group accounts 1 January – 31 December

Notes

DKK '000s	2015	2014	
5 Financial costs			
Interest to subsidiaries	1,465	1,519	
Exchange losses	3,011	2,086	
Other financial costs	2,806	3,022	
	7,282	6,627	
6 Corporation tax and deferred tax			
DKK '000s	Corporation tax liability	Deferred tax asset	Tax as per profit and loss state- ment
Closing 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 earnings	0	0	-2
Tax related to the year's income	612	-	612
Closing balance, 31 December 2014	190	23,041	1,836
Balance, 1 January 2015	190	23,041	-
Revaluation	-	579	-
Adjustment of deferred tax for the year	-	-2,375	2,375
Corporation tax paid	-717	-	-
Tax on changes in retained earnings	-	0	0
Tax related to the year's income	527	-	527
Balance, 31 December 2015	0	21,245	2,902

Group accounts 1 January – 31 December

Notes

7 Intangible fixed assets	
DKK '000s	Software
Cost price 1 January 2015	25,228
Revaluation	58
Accrual for the year	135
Disposals for the year	0
Cost price 31 December 2015	25,421
Depreciation 1 January 2015	-22,417
Revaluation	-57
Depreciation for the year	-1,452
Previous depreciation on disposals for the year written back	0
Depreciation 31 December 2015	-23,926
Balance sheet value 31 December 2015	1,495

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

DKK '000s	2015	2014
Production costs	372	618
Distribution costs	0	97
Administration costs	1,080	1,433
	1,452	2,148

Group accounts 1 January – 31 December

Notes

8 Tangible fixed assets

DKK '000s	Interior fitting of rented premises	Technical installations and machines	Other installations, equipment and machines	Total
Cost price 1 January 2015	23,367	114,001	28,556	165,924
Revaluation	654	1,630	582	2,866
Carried over	0	12,018	0	12,018
Accrual for the year	341	3,421	148	3,910
Disposals for the year	0	-639	-65	-704
Cost price 31 December 2015	24,362	130,431	29,221	184,014
Depreciation 1 January 2015	-21,883	-100,807	-27,679	-150,369
Carried over	-632	-1,327	-541	-2,500
Revaluation	0	-12,018	0	-12,018
Depreciation for the year	-775	-5,596	-508	-6,879
Previous depreciation on disposals for the year written back	0	639	63	702
Depreciation 31 December 2015	-23,290	-119,109	-28,665	-171,064
Balance sheet value 31 December 2015	1,072	11,322	556	12,950

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

DKK '000s	2015	2014
Production costs	6,592	6,855
Distribution costs	14	55
Administration costs	273	541
	6,879	7,451

9 Financial assets

DKK '000s	Other receivables
Cost price 1 January 2015	1,837
Cost price 31 December 2015	1,837
Balance sheet value 31 December 2015	1,837

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 capi- tal	Transferred profit or loss	Total
Shareholders' equity, 1 January 2014	7,634	21,773	29,407
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
Shareholders' equity, 31 December 2014	7,634	23,398	31,032
Revaluation of security instruments	-	457	457
Tax on shareholders' equity entries	-	0	0
Exchange adjustment	-	4,220	4,220
Profit or loss for the year	-	7,337	7,337
Revaluations for the year	-	12,014	12,014
Shareholders' equity, 31 December 2015	7,634	35,412	43,046

As of 31 December 2015, 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 2015 long-term obligations stood at t.DKK 12,580 (2014: t.DKK 25,997). The long-term obligations mature within 5 years of the balance sheet date.

Part of the short-term part of long-term obligations consists of non-interestbearing obligations of t.DKK 997.

Group accounts 1 January – 31 December

Notes

DKK '000s	2015	2014
13 Employee matters		
Labour costs are as follows:		
Wages and fees	77,150	73,369
Pension contributions	4,606	4,914
Other social security costs	6,693	5,672
	<u>88,449</u>	<u>83,955</u>
and are included as follows:		
Production costs	75,445	66,155
Distribution costs	3,081	5,248
Administration costs	9,923	10,459
Reorganisation costs and other special items	0	2,093
	<u>88,449</u>	<u>83,955</u>
Of which remuneration to board and management	<u>2,184</u>	<u>1,990</u>
Average employee total	<u>488</u>	<u>515</u>
Employee total 31 December	<u>497</u>	<u>520</u>
14 Fee to auditor elected by AGM		
The total fee to EY is:		
Statutory audit	260	260
Tax advice	82	38
Other services	231	112
	<u>573</u>	<u>410</u>
Total fee to network auditor abroad is:		
Statutory audit	172	147
Other services	0	0
	<u>172</u>	<u>147</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.

Financial institution has provided a customer with a supply guarantee of t.DKK 7,257 to expire on 31 January 2016.

A company security for t.DKK 60,000 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 t.DKK 537 (2014: t.DKK 412). The leasing contracts have non-cancellation periods of up to 40 months.

The rental agreement in Denmark has a 12 month notice. The total rent for the notice period is t.DKK 1,300 (2014: t.DKK 1,300).

The non-cancellation period for the rental agreement in China ends on 30 September 2016. The total rent until this date is t.DKK 1,307 (2014: t.DKK 2,858).

17 Related parties

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

Dominant influence	Background	Transactions
Axcel Industriinvestor a.s. Sankt Annæ Plads 10 1250 Copenhagen K, Denmark	Indirect co-owner	Board fees t.DKK 40
Dominant influence BB Electronics Holding A/S Ane Staunings Vej 21 8700 Horsens, Denmark	Background Principal shareholder	Transactions Interest costs t.DKK 1,465

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 1 January – 31 December

Notes

DKK '000s	2015	2014
18 Cash-flow table - adjustments		
Depreciation and amortisation on intangible and tangible fixed assets	8,331	9,599
Profit on sales of fixed assets	-83	-162
Losses from sales of fixed assets	0	126
Financial income	-1,831	-743
Financial costs	7,282	6,627
Tax on profit or loss for the year	2,902	1,836
Provisions adjustments	-196	94
	<u>16,405</u>	<u>17,377</u>
19 Cash-flow table - working capital adjustment		
Adjustment to receivables etc.	-10,053	2,153
Adjustment to inventories	1,375	-4,347
Adjustment to suppliers and other long-term liabilities etc.	5,414	11,529
Exchange rate adjustments	2,703	4,419
	<u>-561</u>	<u>13,754</u>

Annual accounts 1 January – 31 December

Profit and loss statement

Note	DKK '000s	2015	2014
1	Net turnover	339,595	315,033
7,8,13	Production costs	-317,355	-294,063
	Gross profit or loss	22,240	20,970
7,8,13	Distribution costs	-3,147	-5,825
7,8,13	Administration costs	-14,911	-18,689
	Operating profit before special items	4,182	-3,544
2	Reorganisation costs	-2,413	-4,814
	Operating profit	1,769	-8,358
3	Other operating income	5,561	8,302
3	Other operating costs	-56	-167
	Operating profit	7,274	-223
9	Profit from capital shares in subsidiary after tax	7,622	1,635
4	Financial income	21	11
5	Financial costs	-7,053	-6,440
	Profit or loss before tax	7,864	-5,017
6	Tax on profit or loss for the year	-527	-610
	Profit or loss for the year	7,337	-5,627
	Proposed disbursement of profit or loss		
11	Transferred to reserve for net increase at parity value	7,622	1,635
11	Transferred profit or loss	-285	-7,262
		7,337	-5,627

Annual accounts 1 January – 31 December

Balance sheet

Note	DKK '000s	2015	2014
	ASSETS		
	Fixed assets		
7	Intangible fixed assets		
	Software	1,461	2,801
8	Tangible fixed assets		
	Interior fitting of rented premises	620	1,118
	Technical installations and machines	2,266	1,359
	Other installations, tools, and equipment	227	337
		3,113	2,814
9	Financial assets		
	Capital shares in subsidiaries	85,589	73,865
	Other receivables	1,821	1,821
		87,410	75,686
	Total fixed assets	91,984	81,301
	Current assets		
10	Inventories		
	Raw materials and consumables	29,070	26,403
	Semi-manufactured goods	2,817	3,194
	Stocks of products	1,464	3,625
	Payments in advance from customers	-1,423	-469
		31,928	32,753
	Receivables		
	Receivables from sales and services	61,042	59,302
	Other receivables	514	374
6	Deferred tax asset	15,124	15,124
	Deferred expenditure	1,148	1,191
		77,828	75,991
	Total trading assets	109,756	108,744
	TOTAL ASSETS	201,740	190,045

Annual accounts 1 January – 31 December

Balance sheet

Note	DKK '000s	2015	2014
	LIABILITIES		
11	Shareholders' equity		
	Authorised share capital	7,634	7,634
	Reserve for net increase at parity value	35,240	23,398
	Transferred profit or loss	172	0
	Total shareholders' equity	<u>43,046</u>	<u>31,032</u>
	Provisions for liabilities and charges		
	Other provisions for liabilities and charges	0	264
	Total provisions for liabilities and charges	<u>0</u>	<u>264</u>
	Obligations		
12	Long-term obligations		
	Credit institutions	12,500	25,000
	Other long-term debt	80	997
		<u>12,580</u>	<u>25,997</u>
	Short-term obligations		
12	Short-term part of long-term obligations	13,538	13,496
	Credit institutions	16,145	12,806
	Trade creditors and other accounts payable	20,464	26,449
	Payments in advance from customers	3,684	860
6	Corporation tax	0	190
	Debts and loans from subsidiaries	82,258	68,658
	Other long-term liabilities	10,025	10,293
		<u>146,114</u>	<u>132,752</u>
	Total obligations	<u>158,694</u>	<u>158,749</u>
	TOTAL LIABILITIES	<u><u>201,740</u></u>	<u><u>190,045</u></u>
13	Employee matters		
14	Contingent assets and collateral security		
15	Operational leasing and rental agreements		
16	Related parties		
	Accounting practice applied, pp. 40 - 44		

Annual accounts 1 January – 31 December

Notes

DKK '000s	2015	2014
1 Net turnover		
Business area distribution is defined as follows:		
Industry	205,092	182,244
Professional telecomm's/IT	48,392	63,389
Subsidiary	2,645	699
Other	83,466	68,701
	<u>339,595</u>	<u>315,033</u>
Geographical market distribution is specified as follows:		
Denmark	212,666	183,201
Rest of Europe	72,145	106,028
North America	29,382	17,138
Asia	5,884	4,644
Other	19,518	4,022
	<u>339,595</u>	<u>315,033</u>
2 Reorganisation costs		
Restructuring etc.	<u>2,413</u>	<u>4,814</u>
3 Other operating income and other operating costs		
Other operating income:		
Profit on sales of fixed assets	48	3,463
Other income	<u>5,513</u>	<u>4,839</u>
	<u>5,561</u>	<u>8,302</u>
Other operating costs		
Losses from sales of fixed assets	0	126
Other costs	<u>56</u>	<u>41</u>
	<u>56</u>	<u>167</u>

Annual accounts 1 January – 31 December

Notes

DKK '000s		2015	2014	
4	Financial income			
	Subsidiaries	0	10	
	Other financial income	21	1	
		<u>21</u>	<u>11</u>	
5	Financial costs			
	Subsidiaries	1,465	1,519	
	Exchange losses	3,009	2,091	
	Other financial costs	2,579	2,830	
		<u>7,053</u>	<u>6,440</u>	
6	Corporation tax and deferred tax			
		Corporation tax liability	Deferred tax asset	Tax as per profit and loss statement
	DKK '000s			
	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 earnings	0	0	-2
	Tax on income for the year	612	-	612
	Balance, 31 December 2014	<u>190</u>	<u>15,124</u>	<u>610</u>
	Balance, 1 January 2015	190	15,124	-
	Adjustment of deferred tax for the year	-	0	0
	Corporation tax paid	-717	-	-
	Tax on changes in retained earnings	0	0	0
	Tax on income for the year	527	-	527
	Balance, 31 December 2015	<u>0</u>	<u>15,124</u>	<u>527</u>

Annual accounts 1 January – 31 December

Notes

7 Intangible fixed assets	
DKK '000s	Software
Cost price 1 January 2015	24,335
Accrual for the year	84
Disposals for the year	0
Cost price 31 December 2015	24,419
Depreciation 1 January 2015	-21,534
Depreciation for the year	-1,424
Previous depreciation on disposals for the year written back	0
Depreciation 31 December 2015	-22,958
Balance sheet value 31 December 2015	1,461

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

DKK '000s	2015	2014
Production costs	345	604
Distribution costs	0	97
Administration costs	1,079	1,433
	<u>1,424</u>	<u>2,134</u>

Annual accounts 1 January – 31 December

Notes

8 Tangible fixed assets

DKK '000s	Interior fit- ting of rent- ed premises	Technical installations and ma- chines	Other in- stallations, equipment and ma- chines	Total
Cost price 1 January 2015	13,439	69,755	19,826	103,020
Accrual for the year	56	1,699	120	1,875
Disposals for the year	0	-171	0	-171
Cost price 31 December 2015	13,495	71,283	19,946	104,724
Depreciation 1 January 2015	-12,321	-68,396	-19,489	-100,206
Depreciation for the year	-554	-792	-230	-1576. 0
Previous depreciation on disposals for the year writ- ten back	0	171	0	171
Depreciation 31 December 2015	-12,875	-69,017	-19,719	-101,611
Balance sheet value 31 December 2015	620	2,266	227	3,113

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

DKK '000s	2015	2014
Production costs	1,444	2,490
Distribution costs	14	55
Administration costs	118	290
	1,576	2,835

Annual accounts 1 January – 31 December

Notes

9 Financial assets

DKK '000s	<u>Capital share of subsidiaries</u>	<u>Other re- ceivables</u>
Cost price 1 January 2015	35,584	1,821
Disposals for the year	-535	0
Cost price 31 December 2015	<u>35,049</u>	<u>1,821</u>
Revaluation 1 January 2015	38,281	0
Disposals for the year	417	0
Profit or loss for the year after tax	7,622	0
Exchange adjustment	4,220	0
Revaluation 31 December 2015	<u>50,540</u>	<u>0</u>
Balance sheet value 31 December 2015	<u>85,589</u>	<u>1,821</u>

Capital shares in subsidiaries is specified as follows:

	<u>Principal place of business</u>	<u>Share capital</u>	<u>Voting and ownership shares</u>
BB Electronics (Suzhou) Co. Ltd.	China	45,634 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

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11 Shareholders' equity

DKK '000s	Authorised share capi- tal	Reserve for net write-up	Transferred profit or loss	Total
Shareholders' equity, 1 January 2014	7,634	21,773	0	29407. 0
Revaluation of security instruments	-	0	7	7. 0
Tax on shareholders' equity entries	-	0	-2	-2. 0
Exchange adjustment for subsidiary	-	7,247	0	7247. 0
Profit or loss for the year	-	1,635	-7,262	-5627. 0
Absorption of losses	-	-7,257	7,257	.0 0
Shareholders' equity, 31 December 2014	7,634	23,398	0	31032
Revaluation of security instruments	-	0	457	457
Tax on shareholders' equity entries	-	0	0	0
Exchange adjustment for subsidiary	-	4,220	0	4,220
Profit or loss for the year	-	7,622	-285	7,337
Revaluations for the year	-	11,842	172	12,014
Shareholder's equity, 31 December 2015	7,634	35,240	172	43,046

As of 31 December 2015, 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 2015 long-term obligations stood at t.DKK 12,580 (2014: t.DKK 25,997). The long-term obligations mature within 5 years of the balance sheet date.

Part of the short-term part of long-term obligations consists of non-interestbearing obligations of t.DKK 997.

Annual accounts 1 January – 31 December

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13 Employee matters

Labour costs are as follows:

DKK '000s	2015	2014
Wages and fees	40,761	44,278
Pension contributions	2,921	3,586
Other social security costs	866	1,079
	<u>44,548</u>	<u>48,943</u>

and are included as follows:

Production costs	34,954	34,328
Distribution costs	3,081	5,229
Administration costs	6,513	7,293
Reorganisation costs	0	2,093
	<u>44,548</u>	<u>48,943</u>
Of which remuneration to board and management	<u>2,184</u>	<u>1,990</u>
Average employee total	<u>98</u>	<u>111</u>
Employee total 31 December	<u>99</u>	<u>104</u>

14 Contingent assets and collateral security

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

Financial institution has provided a customer with a supply guarantee of t.DKK 7,257 to expire on 31 January 2016.

A company security for t.DKK 60,000 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 t.DKK 537 (2014: t.DKK 412). The leasing contracts have non-cancellation periods of up to 40 months.

Rental agreement has a 12 month notice period. The total rent for the notice period is t.DKK 1,300 (2014: t.DKK 1,300).

Annual accounts 1 January – 31 December

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16 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 t.DKK 1,465
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 t.DKK 40
BB Electronics (Suzhou) Co. Ltd. China	Subsidiary	Product sales: Product sales t.DKK 2,645 IT services t.DKK 2,669 Sales commissions t.DKK 2,844 Product purchases: Product purchases t.DKK 185,045

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

Accounting practice applied

The group accounts and annual accounts BB Electronics A/S for 2015 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 long-term liabilities.

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 loans 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

Accounting practice applied

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 costs, 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 de-selected. 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

Accounting practice applied

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 depreciation 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

Accounting practice applied

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 semi-manufactured goods 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. Payments in advance 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

Accounting practice applied

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 long-term liabilities, 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.

Monetary 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 assets.

Monetary 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 capital includes liquid cash and realised drawings on overdraft facilities.