SILVAN A/S

Daugbjergvej 15, DK-8000 Aarhus C

Annual Report for 7 August - 31 December 2017

CVR No 38 84 12 97

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31/5 2018

Chairman

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of SILVAN A/S for the financial year 7 August - 31 December 2017.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations and cash flows for 2017.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Aarhus, 31 May 2018

Executive Board

Jesper Lien
CEO

Mette Christina Hjorne
Executive Officer

Board of Directors

Nils Holger Haase
Chairman

Leif Lupp

Lothar Bernhard Schäfer

Jesper Lien

Independent Auditor's Report

To the Shareholder of SILVAN A/S

Opinion

We have audited the financial statements of Silvan A/S for the financial year 07.08.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31-12-2017 and of the results of its operations and cash flows for the financial year 07.08.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence ob-tained up to the date of our auditor's report. However, future events or conditions may cause the Enti-ty to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

Independent Auditor's Report

In connection with our audit of the financial statements, our responsibility is to read the management com-mentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Odense, 31 May 2018
Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No 33 96 35 56

Lars Knage Nielsen
State Authorised Public Accountant
mne10074

Company Information

The Company	SILVAN A/S Daugbjergvej 15 DK-8000 Aarhus C Website: www.silvan.dk CVR No: 38 84 12 97 Financial period: 7 August - 31 December Municipality of reg. office: Aarhus
Board of Directors	Nils Holger Haase, Chairman Leif Lupp Lothar Bernhard Schäfer Jesper Lien
Executive Board	Jesper Lien Mette Christina Hjørne
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Tværkajen 5 DK-5000 Odense

Financial Highlights

Seen over a four month period, the development of the Company is described by the following financial highlights:

	2017
	TDKK
Key figures	
Profit/loss	
Revenue	459,577
Operating profit/loss	66,401
Profit/loss before financial income and expenses	-54,566
Net financials	-2,293
Net profit/loss for the year	-44,506
Balance sheet	
Balance sheet total	642,445
Equity	91,994
Cash flows	
Cash flows from:	
- operating activities	-25,094
- investing activities	-23,208
including investment in property, plant and equipment	-6,347
- financing activities	145,000
Change in cash and cash equivalents for the year	96,698
Number of employees	768
Ratios	
Gross margin	14.4%
Profit margin	-11.9%
Return on assets	-8.5%
Solvency ratio	14.3%
Return on equity	-96.2%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

SILVAN is a leading Danish Do-It-Yourself retailer founded in 1968. With the latest store opening in Frederikshavn on December 16th, SILVAN now operates 43 DIY stores nationwide and one web-shop. The stores are primarily located in larger cities and include both building materials and a garden centre, customer services including Click & Collect, Drive-In, In-store Paint Shop, Timber Cutting, Tools Hiring and Trailer Service. The DIY business is highly seasonal, with sale and profit concentrated in summer months from April to August.

Development in the year

SILVAN was bought by Aurelius, a German industrial holding company, on 1 September 2017 and the SILVAN activities are now operated from SILVAN A/S. A successful system and organisational carve-out of SILVAN from seller has been completed during September 2017 to January 2018. The carve-out included a separation of all IT-systems from seller into a new IT-environment, which was completed successfully 2 months ahead of schedule. A new IT function has been established at SILVAN as all IT activities previously were handled by seller's corporate functions.

This first annual accounts of SILVAN A/S covers only a 4 months period with activity, September – December 2017, which is outside of the seasonal DIY-period from March – August.

The financial and operational performance in September to December 2017 was in line with expectations The negative results for the period was influenced by -26 MDKK structural and carve-out costs, and to support development of the business and to improve future performance, significant investments have been initiated in people, assortment, stores and IT.

Expectations for the year ahead

Focus in 2018 is on delivering profitable sales growth and defining and implementing future strategy.

Key elements in growing sales are improved operational performance of the core business and improved customer offer through format development and introduction of new and more compelling product ranges. A new store format will be trialled in 2-3 existing stores in 2018. 2018 will also see large focus and investment in growing e-commerce business including offering better customer journeys and extended product offer in selected categories.

External environment

The competition at the Danish DIY marketplace is expected to increase in 2018 due to stronger competition from existing DIY players, category specialists and new and aggressive pure online players. Therefore, it's imperative for Silvan to improve the customer offer both online and offline and provide a strong omni offer for the customers.

Management's Review

Special risks

SILVAN A/S is budgeting with positive EBITDA result for 2018, and a negative EBT which is reflecting the ongoing turn around of SILVAN business. The 2018 budget includes an EBT improvement of 29 MDKK vs last year, and EBITDA for the first four months of 2018 is ahead of expectations despite a very cold March and Easter.

The budgets for 2019 and 2020 includes positive EBTs. The liquidity risk coming from combination of a highly seasonal business, building up stock for the high season and a budgeted negative result for 2018 is mitigated through secured credit facilities of 241 MDKK. These credit facilities are considered sufficient for 2018 based on a conservative assessment. The strategy implementation during 2018 is expected to contribute positively to the cash flow position already in the second half of 2018.

Corporate and social responsibilities

SILVAN A/S is complying with Danish legislation, including environmental laws and human rights, although the company does not yet have its own specific policies in these areas. Being a newly founded company, the policies for corporate social responsibilities will be defined during 2018.

Gender composition

The DIY business has historically been a male dominated environment. SILVAN's policy is to recruit the best candidate for the role, and at the same time putting an effort into ensuring that potential candidates with relevant experience of both gender are being considered in the recruitment process.

The SILVAN target for the underrepresented gender for the top leadership is 25 %. At the time of this report, this target is not fulfilled at the board level. However, it is the ambition to reach the target in 2021. The current executive board fulfils the target with a 50/50% split. The other leadership levels in SILVAN are defined as Top 40. The gender target for this group is 40 %. At the time of this report, Top 40 has 39 % female. Being a newly founded company, the policies for gender composition of management will be further formalised during 2018.

Income Statement 7 August - 31 December

	Note	2017
		TDKK
Revenue	2	**459,577**
Cost of sales		-292,390
Other external expenses		-100,786
Gross profit/loss		**66,401**
Staff expenses	3	-114,981
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-5,986
Profit/loss before financial income and expenses		**-54,566**
Financial income	5	91
Financial expenses	6	-2,384
Profit/loss before tax		**-56,859**
Tax on profit/loss for the year	7	12,353
Net profit/loss for the year		**-44,506**

Balance Sheet 31 December

Assets

	Note	2017
		TDKK
Goodwill		12,549
Intangible assets	9	**12,549**
Plant and machinery		1,787
Other fixtures and fittings, tools and equipment		41,174
Leasehold improvements		1
Property, plant and equipment in progress		5,325
Property, plant and equipment	10	**48,287**
Deposits		18,383
Non-current financial assets	11	**18,383**
Fixed assets		**79,219**
Finish goods		**387,586**
Trade receivables		26,929
Other receivables		5,874
Deferred tax	13	12,353
Prepayments	12	25,002
Receivables		**70,158**
Cash at bank and in hand		**105,482**
Currents assets		**563,226**
Assets		**642,445**

Balance Sheet 31 December

Liabilities and equity

	Note	2017
		TDKK
Share capital		1,000
Retained earnings		90,994
Equity	14	**91,994**
Provisions for warranties		5,500
Other provisions	15	7,477
Provisions		**12,977**
Loan payables to banks		70,000
Loan payables to third parties		76,000
Long-term debt	16	**146,000**
Lease obligations		9,006
Prepayments received from customers		11,452
Trade payables		303,440
Trade payables to subsidiaries		5,010
Other payables	17	62,566
Short-term debt		**391,474**
Debt		**537,474**
Liabilities and equity		**642,445**
Going concern	1	
Distribution of profit	8	
Contingent assets, liabilities and other financial obligations	21	
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Statement of Changes in Equity

	Share capital	Share premium account	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 7 August	500	0	0	500
Cash contribution	0	0	36,250	36,250
Non-cash contribution	500	99,250	0	99,750
Net profit/loss for the year	0	0	-44,506	-44,506
Transfer	0	-99,250	99,250	0
Equity at 31 December	**1,000**	**0**	**90,994**	**91,994**

Equity increased on 31.08.17 by non-cash contribution of the existing SILVAN business (former division of Stark Group A/S). Net assets of 99.750 tkr. added as per non-cash contribution report pr. 31.07.17. The actual gross value at the time of increase on 31.08.17 deviates, however, the total net assets is equivalent to 99.750 tkr. A further cash contribution of 36.250 tkr. on 31.08.17 totals the contribution at 136,5 MDKK. Distribution of net assets can be seen in note 20.

Cash Flow Statement 7 August - 31 December

	Note	2017
		TDKK
Net profit/loss for the year		-44,506
Adjustments	18	10,532
Change in working capital	19	10,171
Cash flows from operating activities before financial income and expenses		**-23,803**
Financial income		91
Financial expenses		-1,382
Cash flows from operating activities		**-25,094**
Purchase of property, plant and equipment		-6,347
Fixed asset investments made etc		-16,861
Cash flows from investing activities		**-23,208**
Repayment of loans from credit institutions		70,000
Repayment of loans from payable to third parties		75,000
Cash flows from financing activities		**145,000**
Change in cash and cash equivalents		**96,698**
Cash Share capital opening		500
Cash at bank and in hand opening	20	8,284
Cash and cash equivalents at 31 December		**105,482**
Cash and cash equivalents are specified as follows:		
Cash at bank and in hand		105,482
Cash and cash equivalents at 31 December		**105,482**

Notes to the Financial Statements

1 Going concern

SILVAN A/S is budgeting with positive EBITDA result for 2018, and a negative EBT which is reflecting the ongoing turn around of SILVAN business. The 2018 budget includes an EBT improvement of 29 MDKK vs last year, and the EBITDA for the first four months of 2018 is ahead of expectations despite a very cold March and Easter.

The budgets for 2019 and 2020 includes positive EBTs.

The liquidity risk coming from combination of a highly seasonal business, building up stock for the high season and a budgeted negative result for 2018 is mitigated through secured credit facilities of 241 MDKK.

These credit facilities are considered sufficient for 2018 based on a conservative assessment. The strategy implementation during 2018 is expected to contribute positively to the cash flow position already in the second half of 2018.

At the end of 2017 146 MDKK was drawn on the credit facility. At the time of this report, the loan payables to banks was brought down to 0, whilst financial loan payables to 3rd parties stayed at 76 MDKK. The latter is a 4 year Payment-In-Kind loan.

	2017
	TDKK
2 Revenue	
Geographical segments	
Revenue, Denmark	459,577
	459,577

Notes to the Financial Statements

	2017
	TDKK

3 Staff expenses

Wages and salaries	98,792
Pensions	6,307
Other social security expenses	1,591
Other staff expenses	8,291
	114,981
Including remuneration to the Executive Board of:	
Executive Board	6,352
	6,352
Average number of employees	**768**

4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	433
Depreciation of property, plant and equipment	5,553
	5,986

5 Financial income

Other financial income	12
Exchange gains	79
	91

6 Financial expenses

Other financial expenses	2,267
Exchange loss	117
	2,384

Notes to the Financial Statements

7 Tax on profit/loss for the year

	2017
	TDKK
Current tax for the year	2,142
Deferred tax for the year	-14,495
	-12,353

8 Distribution of profit

	2017
	TDKK
Retained earnings	-44,506
	-44,506

9 Intangible assets

	Goodwill
	TDKK
Cost at 7 August	0
Non-cash contribution	12,982
Cost at 31 December	12,982
Impairment losses and amortisation at 7 August	0
Amortisation for the year	433
Impairment losses and amortisation at 31 December	433
Carrying amount at 31 December	**12,549**

Notes to the Financial Statements

10 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 7 August	0	0	0	0	0
Non-cash contribution	1,890	45,514	10	80	47,494
Additions for the year	0	1,101	0	5,245	6,346
Disposals for the year	0	-21	0	0	-21
Cost at 31 December	1,890	46,594	10	5,325	53,819
Impairment losses and depreciation at 7 August	0	0	0	0	0
Depreciation for the year	103	5,441	9	0	5,553
Reversal of impairment and depreciation of sold assets	0	-21	0	0	-21
Impairment losses and depreciation at 31 December	103	5,420	9	0	5,532
Carrying amount at 31 December	**1,787**	**41,174**	**1**	**5,325**	**48,287**

11 Non-current financial assets

	Deposits
	TDKK
Cost at 7 August	0
Non-cash contribution	1,522
Additions for the year	16,861
Cost at 31 December	18,383
Carrying amount at 31 December	**18,383**

Notes to the Financial Statements

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

	Favourable contracts	Other Prepayments	Total
	TDKK	TDKK	TDKK
Cost at 7 August	0	0	0
Non-cash contribution	33,565	9,059	42,624
Amounts recognised in the income statement for the year	-23,829	6,207	-17,622
Cost at 31 December	**9,736**	**15,266**	**25,002**

13 Provision for deferred tax

	2017
	TDKK
Provision for deferred tax at 7 August	0
Amounts recognised in the income statement for the year	-12,353
Provision for deferred tax at 31 December	**-12,353**

14 Equity

The share capital consists of 1,000,000 shares of a nominal value of DKK 1. No shares carry any special rights.

15 Provision

The Company provides warranties of 2 years on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns.

	Warranties	Other	Total
	TDKK	TDKK	TDKK
Cost at 7 August	0	0	0
Non-cash contribution	6,300	6,780	13,080
Amounts recognised in the income statement for the year	-800	697	-103
Cost at 31 December	**5,500**	**7,477**	**12,977**

Notes to the Financial Statements

16 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2017
	TDKK
Loan payables to banks	
Between 1 and 5 year	70,000
Long-term part	70,000
Within 1 year	0
	70,000
Loan payables to third parties	
Between 1 and 5 year	76,000
Long-term part	76,000
Within 1 year	0
	76,000

17 Other payables

Other Payables consist of VAT, Holiday Pay, Social security, accrued wages and salaries etc.

18 Cash flow statement - adjustments

Financial income	-91
Financial expenses	2,384
Depreciation, amortisation and impairment losses, including losses and gains on sales	5,986
Prepayments	23,829
Lease obligations	-9,223
Tax on profit/loss for the year	-12,353
	10,532

Notes to the Financial Statements

19 Cash flow statement - change in working capital

	2017 TDKK
Finish goods	-19,506
Receivables	8,451
Provisions	-103
Payables	21,329
	10,171

20 Cash at bank and hand opening

On August 31, 2017 the company received cash and non cash capital contribution consusting of net assets of former SILVAN Branch (tDKK)

Intangible assets	12,982
Property, plant and equipment	47,493
Deposits	1,522
Inventory	368,080
Receivalbles	90,085
Cash at Bank	8,284
Provision	-13,080
Trade Payables	-299,866
Lease Obligation	-18,228
Other Payables	-61,272
Net Assets	**136,000**

Notes to the Financial Statements

21 Contingent assets, liabilities and other financial obligations

	2017
	TDKK

Charges and security

The following assets have been placed as security with mortgage credit institutes:
Business mortgage of 70 mDKK with first priority in Inventory, in trade accounts receivables arising from the sale of goods or services and Property, plant and equipment has been placed of 463 mDKK as security for the company's credit facility.

The following assets have been placed as security with mortgage loan payable:
Business mortgage of 75 mDKK with second priority in Inventory of 388 mDKK has been placed as security for the company's credit facility.

Rent guarantee:
There have been guarantees of rent of 6.8 mDKK, which are stated as normal renting guarantees.

Operating lease commitments

Future minimum lease payments on property operating leases:	
Within 1 year	103,002
Between 1 and 5 years	303,057
After 5 years	238,618
	644,677
Future minimum lease payments on other operating leases:	
Within 1 year	16,548
Between 1 and 5 years	5,949
After 5 years	3
	22,500
Operating lease commitments	**667,177**

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Conaxess Trade Denmark A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

22 Related parties

Transactions

During the year, the Company had the following transactions with its ultimate Parent Company and its subsidiaries.

Management Fee	-2.084
Loan	-4.489
Trade payables to subsidiaries at 31 December 2017	-5.010

Ownership

Silvan Holding GmbH
Ludwig-Ganghofer-Straße 6,
82031 Grünwald
Germany

Share **100%**
Voting rights **100%**
Link to the consolidated financial statements 2017:

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Court of registration: Munich, Reg. Nr. 221100
Tax-Id: DE 248377455

http://aureliusinvest.com/site/assets/files/2833/aurelius_annualreport2017_e.pdf

Notes to the Financial Statements

23 Fee to auditors appointed at the general meeting

	2017
	TDKK
Deloitte	
Statutory audit services	650
Tax services	13
Other services	85
	748

Notes to the Financial Statements

24 Accounting Policies

The Annual Report of SILVAN A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Financial Statements for 2017 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

The company only have operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

24 Accounting Policies (continued)

Revenue

Information on business segments and geographical segments based on the Companys risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales is the purchace price.

Other external expenses

Other external expenses comprise expenses for premises and sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income

Financial income are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the

Notes to the Financial Statements

24 Accounting Policies (continued)

joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Notes to the Financial Statements

24 Accounting Policies (continued)

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery:		
Technical fixed assets depreciation	5	years
Other fixtures and fittings, tools and equipment:		
Operating equipment and fixtures depreciation	5	years
Forklifts depreciation	5	years
IT Hardware fixed assets depreciation	5	years
IT Software fixed assets depreciation	3	years
Leasehold improvements:		
Leasehold improvements depreciation	10	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Finish goods

Finish goods are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of finish goods is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums and subscriptions.

Notes to the Financial Statements

24 Accounting Policies (continued)

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 2 years. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

24 **Accounting Policies** (continued)

Cash Flow Statement

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

24 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$