SILVAN A/S

Edwin Rahrs Vej 88
8220 Brabrand

CVR no. 38 84 12 97

Annual report 2018

The annual report was presented and approved at the Company's annual general meeting on

21 June 2019

Jan-Christian Becker
chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of SILVAN A/S for the financial year 1 January – 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018.

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

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

Aarhus, 21 June 2019
Executive Board

Morten Elvar Juel
Administrerende direktør

Jesper Blauenfeldt
CFO

Board of Directors

Jan Christian Becker
Chairman

Ekhard Depken

Leif Lupp

Jesper Lien

Independent auditor's report

To the shareholders of SILVAN A/S

Opinion

We have audited the financial statements of SILVAN A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including 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 Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibility 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 that 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company 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 as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these financial statements.

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

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

Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, 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's review

Management is responsible for the Management's review.

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

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Aarhus, 21 June 2019
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Nikolaj Møller Hansen State Authorised Public Accountant mne33220	Michael E. K. Rasmussen State Authorised Public Accountant mne41364

Management's review

Company details

SILVAN A/S
Edwin Rahrs Vej 88
8220 Brabrand

Website:	www.silvan.dk
CVR no.:	38 84 12 97
Registered office:	Aarhus
Financial year:	1 January – 31 December

Board of Directors

Jan-Christian Becker, Chairman
Ekhard Depken
Leif Lupp
Jesper Lien

Executive Board

Morten Elvar Juel, Administrerende direktør
Jesper Blauenfeldt, CFO

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Management's review

Financial highlights

DKK'000	2018	2017 (5 months)
Key figures		
Revenue	1,604,016	459,577
Gross profit	371,114	66,401
Operating profit/loss	-7,585	-54,566
Profit/loss from financial income and expenses	-9,025	-2,293
Profit/loss for the year	-12,918	-44,506
Total assets	748,971	642,445
Equity	79,076	91,994
Investment in property, plant and equipment	49,968	6,347
Cash flows from operating activities	-68,511	-25,094
Cash flows from investing activities	-50,210	-23,208
Cash flows from financing activities	66,000	145,000
Total cash flows	-52,721	96,698
Ratios		
Gross margin	23.1%	14.4%
Operating margin	-0.5%	-11.9%
Return on invested capital	-1.1%	-8.5%
Return on equity	-15.1%	-96.2%
Solvency ratio	10.6%	14.3%
Average number of full-time employees	849	768

Financial ratios are calculated in accordance with the guidelines "Recomendations and Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Gross margin $\dfrac{\text{Gross profit/loss x 100}}{\text{Revenue}}$

Operating margin $\dfrac{\text{Operating profit/loss x 100}}{\text{Revenue}}$

Return on invested capital $\dfrac{\text{Operating profit/loss x 100}}{\text{Average invested capital}}$

Return on equity $\dfrac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$

Solvency ratio $\dfrac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

Principal activities

SILVAN is a leading Danish Do-It-Yourself retailer founded in 1968. SILVAN operates 44 DIY stores nationwide and one web-shop. The stores are primarily located in larger cities and include both building materials and garden center, customer services including Click & Collect, Drive-In, In-store Paint Shop, Timber Cutting, Tools Hiring and Trailer Service.

Development in activities and financial position

2018 was the first full financial year since SILVAN was acquired by Aurelius on 1 September 2017. Accordingly, the comparative figures in this report only cover the five-month period in 2017.

Despite 50 years of history, SILVAN is, in many aspects, still to be considered a young organization as a lot of improvements and system changes have taken place since SILVAN was acquired by Aurelius.

After a successful carve-out of SILVAN from the seller completed in January 2018, the majority of 2018 has been used on optimizing the organization, sharpening the product offering, establishing an e-commerce platform as well as face-lifting several stores. Approximately, an investment of DKK 50 million was made during the year to support this.

Despite not fully reaching the expected topline, EBITDA was up on budget, which is considered a strong achievement. 2018 was still considered part of the start-up phase after the carve-out, and thus the reported net loss of DKK 13 million is in line with expectations.

Expectations for the year ahead

Focus in 2019 is to continue growth and to improve profitability by building further on the foundation created since the carve-out.

The e-commerce platform is now up fully running as well as store operations in terms of customer service and support is well defined, which is expected to contribute positively.

Accordingly, we expect that we will continue to see pay-offs of the efforts and investments made, both improving topline as well as profitability.

SILVAN budgets for positive EBITDA in 2019, whereas and despite the above, EBT is still expected to be negative due to high amortisation, depreciation and finance costs related to the start-up investments made.

Special risks

Operating risks

The competition in the market is still high, prices are very transparent and new on-line players are still pushing, however, monitoring this very closely in parallel with sharpening our product and service offer, we expect to maintain our strong market position.

We are convinced that the strong concept and the extremely strong brand recognition of SILVAN will soon lead to profitable business. SILVAN has the most well-known brand in the market, and this has a clear comparative advantage.

Management's review

Operating review

Liquidity risks

Going concern:

As described in note 2, there is a risk related to going concern.

The realised loss for the year is in line with expectations.

SILVAN budgets for positive EBITDA results for 2019, however negative EBT is still expected due to the Company's significant amortisation, depreciation and finance costs.

SILVAN has confirmed credit facilities amounting to DKK 250 million in place, which are considered sufficient to support the planned and budgeted development of SILVAN. There are a number of covenants related to loans payable to banks.

The Company has initiated a number of initiatives that are expected to improve cash flows and financial position.

Based on the Company's financial performance in 2019, the cash flow forecast for the remaining part of 2019 and the current available credit facilities, Management has assessed that the Company's financial statements should be prepared on a going concern basis.

If results are not realised as expected, there is a risk that the Company will need additional financing and that covenants may be breached.

Financial risks

Currency, interest rate and credit risks

SILVAN is not materially exposed to financial risks in the form of currency risks or interest rate risks. In addition, only a limited share of revenue is settled on credit terms, and accordingly credit risk is limited.

Corporate social responsibility

SILVAN complies with Danish legislation, including environmental legislation and human rights, labor legislation and safety requirements, and is step by step taking further initiatives to outline this in its own specific policies. This journey has along with many other activities continued during 2018 and is still ongoing.

Anti-corruption

SILVAN does not have a separate policy on corruption and bribery, as the Company operates in Denmark and thus complies with applicable laws and regulations.

SILVAN has several compensating financial controls, which helps counteract unwarranted financial arrangements.

Social and staff matters

SILVAN wants to be an attractive workplace, where the employees' well-being and competence development are essential for the Company's future.

The employees are SILVAN's most important asset, and SILVAN therefore focuses on investing in our employees.

Management's review

Operating review

In order to attract the right employees, it is important that SILVAN's recruitment skills are in place and that SILVAN is marketed as an attractive workplace.

The Company's human resources efforts are therefore aimed at attracting, further developing and retaining professionally competent, loyal and committed employees. This is as well one of the key risks to our business, where we try to optimize the working environment and respond to employees' expectations.

To support this, SILVAN continuously ensures concrete feedback and through ongoing discussions with the employees.

SILVAN believes that our efforts in 2018 have contributed to maintaining a good working environment.

Human rights

SILVAN is sourcing all its products from external suppliers, and accordingly we are not in full control of the entire supply chain. However, being a company fully respecting human rights, we make a huge effort to ensure that our suppliers respect human rights as well. This is always part of a new supplier evaluation, and it is incorporated into our supplier contracts as well as we evaluate ourselves when visiting our suppliers.

For 2018, there was no registered breaches of our policy and all suppliers were in compliance with our policy. One of the main risks for our business is for the suppliers not to be in compliance with our policy, which we manage with a robust and strict supplier evaluation process.

Environment and climate

SILVAN's environmental requirements have to prevent unnecessary use of resources, limit pollution and prevent pollution and ensure a good working environment.

As a responsible company, we are on an ongoing daily basis looking into what we can do to lower energy consumption in our stores e.g. by using energy-optimised LED lighting. Further to that we have also high focus on our logistical setup to reduce the number of times and the distance over which we transport goods sold in the stores.

Also, when selecting and constantly monitoring our suppliers, we are looking into the foot print, they generate by producing and transporting the goods to us.

SILVAN is continuously looking into environmental improvements, and we have a particular focus on minimizing our electricity consumption in the stores as well as at our headquarters.

SILVAN believes that our activities have contributed to reducing environmental and climate impact in 2018. An ongoing risk is not meeting our environmental and climate goals for minimising our negative impacts, which we manage by continuous monitoring of our impact and implementing relevant initiatives.

Gender composition

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

SILVAN wants the best candidate to an open position without preferring specific gender, age, nationality, and it is essential for SILVAN that there is no discrimination whatsoever.

SILVAN does not want to discriminate, and the most suitable candidate, regardless of background and gender, is always chosen for the position.

Management's review

Operating review

SILVAN's target for the underrepresented gender in top management is 25%. At the time of issuing this report, the Executive Board has fulfilled this target with exactly 25% female representation.

The target for the underrepresented gender on the Board of Directors is 25%.

On the Board of Directors, the target has still not been met with only male representation. The target is still to reach this in 2021.

In second layer management defined as Top 40, the target for the underrepresented gender is set at 40%. At the time of signing this report, Top 40 has 38% female representation.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2018	2017 (5 months)
Revenue	3	1,604,016	459,577
Cost of sales		-1,014,457	-292,390
Other external costs		-218,445	-100,786
Gross profit		371,114	66,401
Staff costs	4	-358,101	-114,981
Depreciation, amortisation and impairment losses	5	-20,598	-5,986
Operating profit/loss		-7,585	-54,566
Financial income	6	9	91
Financial expenses	7	-9,034	-2,384
Profit/loss before tax		-16,610	-56,859
Tax on profit/loss for the year	8	3,692	12,353
Profit/loss for the year	9	-12,918	-44,506

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
ASSETS			
Fixed assets			
Intangible assets	10		
Goodwill		11,251	12,549
Property, plant and equipment	11		
Property, plant and equipment in progress		996	5,325
Plant and machinery		2,341	1,787
Fixtures and fittings, tools and equipment		58,527	41,174
Leasehold improvements		17,075	1
		78,939	48,287
Investments	12		
Deposits		18,624	18,383
Total fixed assets		108,814	79,219
Current assets			
Inventories			
Finished goods		493,298	387,586
Receivables			
Trade receivables		18,093	26,929
Other receivables		30,984	5,874
Deferred tax asset	13	16,045	12,353
Prepayments	14	28,976	25,002
		94,098	70,158
Cash at bank and in hand		52,761	105,482
Total current assets		640,157	563,226
TOTAL ASSETS		748,971	642,445

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital	15	1,000	1,000
Retained earnings		78,076	90,994
Total equity		79,076	91,994
Provisions	16		
Provisions for warranties		0	5,500
Other provisions		500	7,477
Total provisions		500	12,977
Liabilities other than provisions			
Non-current liabilities other than provisions	17		
Loan payables to banks		0	70,000
Loan payables to third parties		47,400	76,000
		47,400	146,000
Current liabilities other than provisions			
Lease obligations		0	9,006
Loan payables to banks	17	166,000	0
Prepayments received from customers		11,731	11,452
Trade payables		373,329	303,440
Payables to group entities		1,045	5,010
Other payables	18	69,890	62,566
		621,995	391,474
Total liabilities other than provisions		669,395	537,474
TOTAL EQUITY AND LIABILITIES		748,971	642,445

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2018	1,000	90,994	91,994
Transferred over the distribution of loss	0	-12,918	-12,918
Equity at 31 December 2018	1,000	78,076	79,076

Financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	2018	2017
Profit/loss for the year		-12,918	-44,506
Other adjustments of non-cash operating items	19	33,213	10,532
Cash flows from operations before changes in working capital		20,295	-33,974
Changes in working capital	20	-81,181	10,171
Cash flows from ordinary activities		-60,886	-23,803
Interest income		9	91
Interest expense		-7,634	-1,382
Cash flows from operating activities		-68,511	-25,094
Acquisition of property, plant and equipment		-49,968	-6,347
Fixed asset investments made etc.		-242	-16,861
Cash flows from investing activities		-50,210	-23,208
External financing:			
Proceeds from loans from credit institutions		96,000	70,000
Proceeds from loans from payable to third parties		0	75,000
Repayment of loans from payable to thrid parties		-30,000	0
Cash flows from financing activities		66,000	145,000
Cash flows for the year		-52,721	96,698
Cash and cash equivalents at the beginning of the year		105,482	0
Cash contributed capital opening		0	500
Cash at bank at bank and in hand opening		0	8,284
Cash and cash equivalents at year end		52,761	105,482

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of SILVAN A/S for 2018 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

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

The comparative figures cover a 5 months period.

Foreign currency translation

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

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

Income statement

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

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

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries in the Group. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance sheet

Intangible assets

Goodwill

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

Plant and machinery, fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

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

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Plant and machinery	5 years
Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

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

Impairment of fixed assets

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

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

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

Inventories

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

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

Receivables

Receivables are measured at amortised cost.

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

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable is used as discount rate.

Corporation tax and deferred tax

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Provisions

Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Warranties comprise obligations to make good any defects within the warranty period of 2 years. Provisions are recognised based on the Company's experience with warranties. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at a rate reflecting risk and the due date for payment.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Prepayments and deferred income

Deferred income comprises payments received regarding income in subsequent years.

Cash flow statement

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's contributed capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividends to owners.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank deposits.

Segment information

Segment information is provided on geographical markets only, as the Company operates within the same business segment. The segment information is in line with the Group's accounting policies.

2 Going concern

The realized loss for the year is in line with expectations.

SILVAN budgets for positive EBITDA results for 2019, however negative EBT is still expected due to the Company's significant amortisation, depreciation and finance costs.

SILVAN has confirmed credit facilities amounting to DKK 250 million in place, which are considered sufficient to support the planned and budgeted development of SILVAN. There are a number of covenants related to loans payable to banks.

The Company has initiated a number of initiatives that are expected to improve cash flows and financial position.

Based on the Company's financial performance in 2019, the cash flow forecast for the remaining part of 2019 and the current available credit facilities, Management has assessed that the Company's financial statements should be prepared on a going concern basis.

If results are not realised as expected, there is a risk that the Company will need additional financing and that covenants may be breached.

Financial statements 1 January – 31 December

Notes

3 Revenue

DKK'000	2018	2017
Geographical segments		
Revenue, Denmark	1,604,016	459,577

4 Staff costs

Wages and salaries	307,239	98,792
Pensions	21,143	6,307
Other social security costs	7,320	1,591
Other staff costs	22,399	8,291
	358,101	114,981
Average number of full-time employees	849	768

Staff costs include remuneration of the Executive Board of DKK 6,767 thousand (2017: DKK 6,352 thousand).

DKK'000	2018	2017

5 Depreciation, amortisation and impairment losses

Amortisation of intangible assets	1,298	433
Depreciation of property, plant and equipment	19,300	5,553
	20,598	5,986

6 Financial income

Other financial income	9	12
Exchange gains	0	79
	9	91

7 Financial expenses

Other financial costs	8,469	2,267
Exchange losses	565	117
	9,034	2,384

8 Tax on profit/loss for the year

Current tax for the year	0	2,142
Deferred tax for the year	-3,692	-14,495
	-3,692	-12,353

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9 Proposed distribution of loss

DKK'000	2018	2017
Retained earnings	-12,918	-44,506

10 Intangible assets

DKK'000	Goodwill
Cost at 1 January 2018	12,982
Cost at 31 December 2018	12,982
Amortisation and impairment losses at 1 January 2018	-433
Amortisation for the year	-1,298
Amortisation and impairment losses at 31 December 2018	-1,731
Carrying amount at 31 December 2018	11,251

11 Property, plant and equipment

DKK'000	Property, plant and equipment in progress	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1 January 2018	5,325	1,890	46,594	10	53,819
Additions for the year	996	879	32,053	16,040	49,968
Disposals for the year	0	-271	-2,219	0	-2,490
Transfers for the year	-5,325	0	3,890	1,435	0
Cost at 31 December 2018	996	2,498	80,318	17,485	101,297
Depreciation and impairment losses at 1 January 2018	0	-103	-5,420	-9	-5,532
Depreciation for the year	0	-325	-18,574	-401	-19,300
Reversed depreciation and impairment losses on assets sold	0	271	2,203	0	2,474
Depreciation and impairment losses at 31 December 2018	0	-157	-21,791	-410	-22,358
Carrying amount at 31 December 2018	996	2,341	58,527	17,075	78,939

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12 Investments

DKK'000	Deposits
Cost at 1 January 2018	18,383
Additions for the year	241
Cost at 31 December 2018	18,624
Carrying amount at 31 December 2018	18,624

13 Deferred tax asset

DKK'000	31/12 2018	31/12 2017
Deferred tax asset at 1 January	12,353	0
Amounts recognised in the income statement for the year	3,692	12,353
Deferred tax asset at 31 December	16,045	12,353

14 Prepayments

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

DKK'000	31/12 2018	31/12 2017
Favourable contracts	2,470	9,737
Other prepayments	26,506	15,265
	28,976	25,002

15 Equity

The contributed capital consists of 1,000,000 shares of a nominal value of DKK 1 each.

All shares rank equally.

16 Provisions

DKK'000	Warranties	Other provisions	Total
Cost at 1 January	5,500	7,477	12,977
Amounts recognised in the income statement for the year	-5,500	-6,977	-12,477
Cost at 31 December	0	500	500

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17 Non-current liabilities other than provisions

DKK'000	31/12 2018	31/12 2017	Total debt at 31/12 2018	Repayment, first year	Outstanding debt after five years
Loan payables to banks	166,000	70,000	166,000	166,000	0
Loan payables to third parties	47,400	76,000	47,400	0	0
	213,400	146,000	213,400	166,000	0

18 Other payables

Other payables consist of VAT, holiday pay, social security, etc.

DKK'000	2018	2017

19 Other adjustments

Financial income	-9	-91
Financial expenses	9,034	2,384
Depreciation, amortisation and impairment losses, including losses and gains on sales	20,613	5,986
Prepayments	7,267	23,829
Lease obligations	0	-9,223
Tax on profit/loss for the year	-3,692	-12,353
	33,213	10,532

20 Change in working capital

Inventories	-105,712	-19,506
Receivables	-27,514	8,451
Provisions	-12,477	-103
Payables	64,522	21,329
	-81,181	10,171

21 Fees to auditor appointed at the general meeting

Statutory audit	590	650
Tax assistance	0	13
Other services	0	85
	590	748

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22 Mortgages and collateral

The following assets have been provided as collateral with mortgage credit institutes:

A company charge of DKK 166 million with first priority in Inventory, trade accounts receivable arising from the sale of goods or services and property, plant and equipment of DKK 590 million has been provided as collateral for the Company's credit facility.

The following assets have been provided as collateral for mortgage loan payable:

A company charge of DKK 47.4 million with second priority in Inventory of DKK 493 million has been provided as collateral for the Company's credit facility.

Rent obligations:

The Company has rent obligations of DKK 11.6 million, which are recognised as usual rent obligations.

23 Contractual obligations, contingencies, etc.

Contingent liabilities

The group entities are jointly and severally liable for tax on the jointly taxed income, etc. of the Group. Total corporation tax payable is disclosed in the Annual Report of Conaxess Trade Denmark A/S, which is the management company of the joint taxation. Moreovre, the group entiies are jointly and severally liable for Danish withholding taxes such as dividend tax, royalty tax and tax on unearned income. Any subsequent corrections of corporation taxes and withholding taxes may entail an increase the Company's liability.

The Company is a party to a few pending lawsuits. In Management's opinion, the outcome of these lawsuits will not affect the Company's financial position.

Operating lease obligations

DKK'000	2018	2017
Future minimum lease payments on property operating leases:		
Within 1 year	107,153	103,002
Between 1 and 5 years	333,426	303,057
After 5 years	297,842	238,618
	738,421	644,677
Future minimum lease payments on other operating leases:		
Within 1 year	12,018	16,548
Between 1 and 5 years	7,094	5,949
After 5 years	0	3
	19,112	22,500
Total operating lease commitments:		
Total operating lease commitments	757,533	667,177

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24 Related party disclosures

SILVAN A/S related parties comprise the following:

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

Silvan Holding GmbH holds the majority of the contributed capital in the Company.

SILVAN A/S is part of the consolidated financial statements of AURELIUS Equity Opportunities SE & Co. KGaA, Ludwig-Ganghofer-Straße 6, 82031 Grünwald, Germany, which is the smallest and largest group in which the Company is included as a subsidiary.

The consolidated financial statements of AURELIUS Equity Opportunities SE & Co. KGaA can be obtained by contacting the company at the address above.

Related party transactions

DKK'000	2018	2017
Management fee to parent companies	6,260	2,084

Remuneration of the Executive Board is disclosed in note 4.

Payables to group entities are disclosed in the balance sheet.