

Silvan A/S

Edwin Rahrs Vej 88
DK-8220 Brabrand

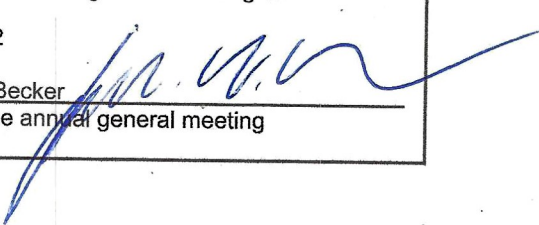
CVR no. 38 84 12 97

Annual report 2021

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

31 March 2022

Jan-Christian Becker
Chairman of the annual general meeting



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Silvan A/S
Annual report 2021
CVR no. 33 54 12 97

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 2021

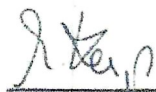
The annual report has been prepared in accordance with the Danish Financial Statements Act

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2021

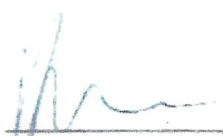
Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position


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

Aarhus, 31 March 2022
Executive Board


Mathias Kerp
CEO

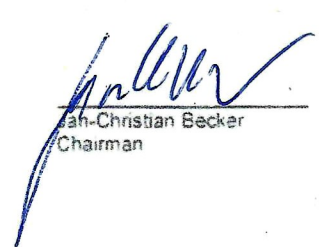

Rasmus Kjærgaard


Keld Larsen

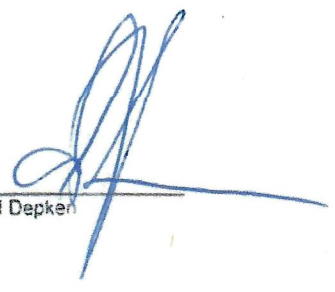

Klaus Asbjørn Dolmer


Michael Lange

Board of Directors


Jakob-Christian Becker
Chairman


Mathias Kerp


Ekhard Depken



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 2021 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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Independent auditor's report

- 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 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, 31 March 2022

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

Silvan A/S
Annual report 2021
CVR no. 38 84 12 97

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
Mathias Kerp
Ekhard Depken

Executive Board

Mathias Kerp, CEO
Rasmus Kjærgaard
Keld Larsen
Klaus Asbjørn Dolmer
Michael Lange

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Frederiks Plads 42
DK-8000 Aarhus C
CVR no. 25 57 81 98

Management's review

Financial highlights

DKK'000	2021 Full year	2020 Full year	2019 Full year	2018 Full year	2017 5 months (First financial year)
Income statement					
Revenue	1,241,751	1,392,781	1,487,181	1,604,016	459,577
Gross profit	520,655	548,392	503,458	589,559	167,187
EBITDA	97,090	83,279	-67,200	12,858	-48,580
EBIT	72,544	58,446	-94,874	-7,585	-54,566
EBT	66,589	39,826	-110,461	-16,610	-56,859
Profit/loss for the year	51,473	30,957	-86,929	-12,918	-44,506
Balance sheet					
Inventories	284,091	272,393	350,133	493,298	387,586
Cash at bank and in hand	51,064	156,577	64,132	52,761	105,482
Total assets	506,162	556,230	581,858	748,971	642,445
Investments in property, plant and equipment	36,344	15,378	11,590	49,968	6,346
Equity	74,577	23,104	-7,852	79,076	91,994
Cash flows from operating activities	100,529	208,320	-7,340	-68,511	-25,094
Cash flows from investing activities	-36,042	-14,375	-11,789	-50,210	-23,208
Cash flows from financing activities	-170,000	-101,500	30,500	66,000	145,000
Total cash flows	-105,513	92,445	11,371	-52,721	96,698
Reported financials – key ratios					
Gross margin	41.9%	39.4%	33.9%	36.8%	36.4%
EBITDA margin	7.8%	6.0%	-4.5%	0.8%	-10.6%
Return on invested capital	19.2%	14.6%	-11.5%	-46.1%	-7.6%
Current ratio	98.8%	89.6%	136.2%	102.9%	143.9%
Solvency ratio	14.7%	4.2%	-1.2%	10.6%	14.3%
Adjusted financials – key ratios¹					
Adjusted gross profit	524,415	551,475	540,380	557,882	-
Adjusted EBITDA	111,765	95,274	-3,820	-32,553	-
Adjusted gross margin	42.2%	39.6%	36.3%	34.8%	-
Adjusted EBITDA margin	9.0%	6.8%	-0.3%	-2.0%	-
Total available liquidity (incl. unused facility)	211,064	186,577	72,632	52,761	201,482
Average number of full-time employees					
	597	639	795	849	768

¹ Exceptional items are items of a material and non-recurring nature which are adjusted for to provide a better understanding of the underlying performance of the Company.

Management's review

Financial highlights

The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
EBITDA margin	$\frac{\text{EBITDA} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit} \times 100}{\text{Average invested capital}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Short-term debt}}$
Solvency ratio	$\frac{\text{Equity ex. non-controlling interests year end} \times 100}{\text{Total equity and liabilities at year end}}$

Management review

Operating review

Principal activities

Silvan is a leading Danish Do-It-Yourself (“DIY”) retailer and operates 42 stores and one online shop. The stores are primarily located in larger cities and the target is to be the most convenient destination for everyday DIY products in Denmark. The focus is on making home improvement more accessible, customer-centric and offer an exciting shopping experience.

Financial development in 2021

During 2019, the focus at Silvan was on reviewing, restructuring, and improving the operations of Silvan. A new management took over and concentrated on improving the cost base, reducing inventory, and developing and implementing a new customer-oriented strategy. Significant one-off losses were occurred amongst others due to the implemented inventory reductions but also due to the executed restructuring program. If 2019 results were adjusted for one-off costs, the true operational performance was already improved by 29m DKK EBITDA compared to 2018.

In 2020, the positive development continued, and Adjusted EBITDA increased to 94m DKK, and Silvan thereby had come out of the restructuring phase and could again look at strategic development and growth.

The positive development continued in 2021 and the overall focus has been on continuously improving the business along the developed and agreed corporate strategy. The key financial figures for 2021 are:

- Reported EBITDA of DKK 97 million (2020: DKK 83 million).
- Adjusted EBITDA of DKK 113 million (2020: DKK 94 million).
- Profit for the year of DKK 52 million (2020: DKK 31 million).

Revenue has been decreasing over time since 2018, which is mainly a result of the following implemented measures:

- Focus changed from revenue to profitability

Until 2019 focus in Silvan was to generate revenue which to a certain extent was driven by huge discounts on campaigns and selling products with low margins, or even at times with negative margins. Since late 2019 Silvan has shifted the focus instead to profitability and has also implemented a new pricing strategy.

- Closure of non-profitable stores

All Silvan stores were reviewed for their financial performance during 2019. Several stores were showing negative results and therefore a project was installed to either turn these stores profitable or close them. 4 stores have been closed due this program while other stores have been turned into profitable stores.

Management review

Operating review

In 2021 revenue has further decreased by 11% compared to 2020 which is due to the follow effects:

- In January and February, there was a full lockdown in Denmark and also the DIY industry was not allowed to keep physical stores open for B2C sales. Sales in this period were therefore only possible to customers either via Click & Collect or direct delivery.
- After the opening of the country in March 2021, supply issues from Asia caused the sales in the period March until May to be much lower than expected.
- In the period from June to December 2021, the realized revenue was in most months higher than in 2020.

For 2022 it is expected that revenue will increase significantly above the level in 2020 due the following factors:

- No COVID-19 lockdown
- Opening of new stores
- Growth of e-commerce sales.

Unusual circumstances

COVID-19 effects in the 2021 financial reporting and expectations for 2022

The 2021 financial figures are influenced by the lockdown of physical stores in the first months of the year. Key effects in the financial report are:

- Much lower sales during lockdown in January and February
- Supply issues from Asia after re-opening
- Lower variable costs during lockdown due to almost complete spending stop to save costs and keep liquidity as high as possible
- Lower staff costs during lockdown
- Support from the government from the Fixed Cost Support scheme for the lockdown periods.

The Budget for 2022 forecasts improvements both on revenue, net income and EBITDA compared to 2021. The Budget for 2022 forecasts revenue to increase to a level of 1,400m DKK to 1,450m DKK and profit for the year to reach a level of 60-70m DKK. The budget also shows sufficient available cash throughout 2022 and equity is expected to increase further in 2022 due to the positive net income.

Management review

Operating review

Financial instruments

The Company's goals and policies for management of financial risks

1. Operating risks

The competition in the market is high and the market has a relatively high price transparency. The DIY market overall is growing. Silvan is monitoring the market demands very closely and is constantly sharpening its product portfolio and service offers in order to maintain its strong market position. Silvan has the most well-known brand in the Danish DIY market, and this is a very strong comparative advantage. Silvan is convinced that the strong concept and the very strong brand recognition of Silvan are solid basis for the coming years.

2. Liquidity

Silvan has confirmed unused credit facilities as of 31st December 2021 of 160m DKK. Including cash at bank and in hand 31st December 2021 of 51m DKK total available liquidity at the end of 2021 was 211m DKK, which is much more than required for the operating business throughout 2022.

The Company's risk exposure

Silvan is not materially exposed to substantial financial risks in the form of currency or interest rate risks. In addition, only a very limited share of revenue is settled via credit limits to customers, and accordingly risk is limited.

1. Financial risks

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Corporate and social responsibility

Silvan is a leading Danish Do-It-Yourself ("DIY") retailer and operates 42 stores and one online shop. The stores are primarily located in larger cities and the target is to be the most convenient destination for everyday DIY products in Denmark. The focus is on making home improvement more accessible, customer-centric and offer an exciting shopping experience.

Silvan complies with the 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.

Silvan's policies are aiming to:

- Minimize the use of resources.
- Reduce negative impact on the environment.
- Ensure quality, dialogue, respect, health and safety regarding social conditions and employee relations.
- Respect human and labour rights.
- Fight corruption and bribery.

This journey has along with many other activities continued during 2021 and is still ongoing.

Management review

Operating review

Anti-corruption

Silvan is sourcing all its products from external suppliers, and accordingly is not in full control of the entire supply chain. However, Silvan makes substantial efforts to ensure that its suppliers have also implemented anti-corruption measures.

Silvan has reviewed and improved in 2020 its standard contractual framework that is used for cooperating with its suppliers. As part of this project, a new Code of Conduct has been developed that all suppliers have to agree to. The implementation of the new contractual framework including the Code of Conduct is implemented in all new contracts with suppliers since the beginning of 2021.

For 2021, there were no registered breaches of Silvan's policy, and all suppliers were in compliance with Silvan's policies. One of the main risks for the business is that the suppliers are not in compliance with Silvan's policies, which is managed through a strict supplier evaluation process and very clear contractual framework including the Code of Conduct.

The Code of Conduct is reviewed on an ongoing basis and will continue to be implemented in all new contracts with suppliers in 2022.

In addition, Silvan has several compensating financial controls which help counteract unwarranted financial arrangements, that could have a significant impact on the financial performance.

Social and staff members

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 its employees.

In order to attract the right employees, it is important that appropriate recruitment processes are in place and that Silvan is marketed as an attractive workplace.

The company's human resource 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 the business, where Silvan tries to optimize the working environment and respond to employees' expectations.

To support this, Silvan continuously ensures specific feedback and ongoing discussions with the employees.

Silvan believes that our efforts throughout 2021 have contributed to the good working environment which our employees currently appreciate. The management of Silvan has implemented a very transparent and open culture at Silvan. As an example, employees are frequently informed about the financial situation, key projects, etc. through virtual townhall meetings and management updates.

Management review

Operating review

Human rights

Silvan is sourcing all its products from external suppliers, and accordingly is not in full control of the entire supply chain. However, being a company fully respecting human rights, Silvan makes huge efforts to ensure that its suppliers respect human rights.

Silvan has reviewed and improved in 2020 its standard contractual framework that is used for cooperating with its suppliers. As part of this project, a new Code of Conduct has been developed that all suppliers have to agree to. The implementation of the new contractual framework including the Code of Conduct is implemented in all new contracts with suppliers since beginning of 2021.

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The Code of Conduct is reviewed on an ongoing basis and will continue to be implemented in all new contracts with suppliers in 2022.

Environmental matters

Silvan is continuously reviewing its environmental footprint and has therefore started in 2019 several projects to act more sustainable.

Amongst others, the following measures were implemented in 2020 and 2021:

- For more than 8m DKK, all existing lighting in all stores were changed to LED, reducing the energy consumption in 2021 by 1.8m kw/h.
- A revised marketing approach has been developed. Amongst others, Silvan has reduced the number of physically distributed leaflets substantially in 2020 & 2021. Overall, the effect is a reasonable saving and a huge reduction of the usage paper (approximately 134.000 km of paper per year).
- During Black Friday in 2020 as well as in 2021, a campaign together with "Plant et Træ" was run to plant more trees in Denmark. Silvan has donated 5% of all revenue during the Black Friday weekends to "Plant et Træ" (approx. 1.2m DKK together for 2020 and 2021).
- All packaging used for E-Commerce has been reviewed and to a large extend been replaced by non-plastic packaging.
- Many existing products offered have been replaced by FSC certified products (e.g. moving boxes, packaging material, barbecue coal).
- One-time use plastic shopping bags have been replaced by both environmentally friendly paper bags as well multiple use plastic bags produced from recycled plastic.
- Silvan is further focusing its own label for sustainable products ("Skabt med omtanke") which only qualifies products as sustainable which have a recognized third-party certification.
- The waste handling at all stores of Silvan has been reduced and a reduction and sorting program is in development.
- The food offering in the canteen has further been approved to include much more organic as well as vegetarian food.

Management review

Operating review

Environmental matters (continued)

— Many elements of the new store concept that has been already implemented in 5 stores are also geared to sustainability (including the almost complete replacement of plastic elements with wood or metal solutions, extensive shared services offerings (e.g. free trailer and e-cargo bike rental), etc.).

For 2022 multiple measures are already being in the planning stage to further focus on sustainability. For example, in addition to the expansion of the sustainable product range, Silvan is in further ongoing discussions with its suppliers to enable more sustainable solutions for its product packaging.

Installations of charging stations for electric vehicles are examined for selected parking spaces at Silvan stores. Along with this, the complete electrification of the own vehicle fleet is also being considered with the business partners.

Next to the implementation risk, another risk to achieve the CRS measures are the overall global supply chain turbulences caused initially by Covid-19 and most recently by the war in Ukraine. To closely monitor the process and to ensure that the measures are successfully implemented Silvan has setup a project governance structure including monthly Steering Committee meetings in which the complete Executive Board is participating.

Goals and policies for the underrepresented gender

The DIY industry has historically been a male-dominated environment. Silvan's policy is to recruit the best candidate for the role while 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 etc., and it is essential for Silvan that there is no discrimination whatsoever.

Silvan's target for the underrepresented gender in top management is 25% before end of 2024. End of 2021 the target is still not met for the Executive Board nor for the Board of Directors with only male representation. There have been no changes in the Board of Directors in 2021 and for the Executive Board only one change has been made in 2021 with an internal promotion of the CSO.

As of 31st December 2021, 1st and 2nd level management of Silvan had 26% female representation, and for 2nd level management alone Silvan had 33% female representation.

Silvan will continue to look for the best candidate to an open position without preferring specific gender, age, nationality, etc., and it is essential for Silvan that there is no discrimination.

Data Ethics Policy

Data ethics concerns the ethical considerations which Silvan as a company must take into account when using data and new technologies.

Data ethics goes beyond compliance with data privacy laws. Silvan complies with all legal requirements but acknowledges and respects that the use of data (both personal data and non-personal data) may create risks for the users that applicable laws do not cover. Silvan manages these risks by adhering to the principles described below.

— Sources of data

- Personal data about job applicants, employees, users of our digital services and business relations.
- Non-personal data (e.g. operating assets and other operations).

Management review

Operating review

Silvan strives for high data ethics standards for the use of both personal and non-personal data.

— Use of technologies

Silvan uses a variety of technologies when processing data.

— Data ethics principles

Silvan commits to the following data ethics principles:

- Transparency and openness: Silvan upholds transparency and openness concerning the use of data. It is ensured that data ethics principles remain clear, understandable and easily accessible.
- Use of data: Data is an important asset of the business. There are high standards in relation to where data is collected and how it is used:
 - High standards are set out for Silvan in collecting data from assets and other sources.
 - High demands are set out for Silvan's partners from whom we receive data. Silvan encourages partners to work towards determining a set of data ethical principles for their own company.
 - Silvan refrains from extensive collection of data which may be characterised as data-driven surveillance
- Accountability: All data collection involves human decisions. Therefore, Silvan strives to implement mechanisms to control the context in which data is collected, the systems that are used for data processing and the methods for ensuring data quality. Silvan acknowledges that data and systems can be misused or used for unintended purposes. Silvan assesses and documents permissible uses of our data and systems and take measures to avoid impermissible uses.
- Processes and policies: Silvan is developing additional policies and procedures to ensure that it complies with the above-mentioned principles.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2021	2020
Revenue	2	1,241,751	1,392,781
Cost of sales		-733,061	-847,716
Other operating income		11,965	3,327
Gross profit		520,655	548,392
Staff costs	3	-239,224	-250,151
Other external costs		-184,335	-214,859
Other operating costs		-6	-103
EBITDA		97,090	83,279
Depreciation, amortisation and impairment losses	4	-24,546	-24,833
EBIT		72,544	58,446
Financial income	5	392	15
Financial expenses	6	-6,347	-18,635
EBT		66,589	39,826
Tax for the year	7	-15,116	-8,869
Profit for the year	8	51,473	30,957

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2021	31/12 2020
ASSETS			
Fixed assets			
Intangible assets	9		
Goodwill		<u>7,356</u>	<u>8,655</u>
Property, plant and equipment	10		
Property, plant and equipment under construction		971	14
Plant and machinery		1,789	1,986
Fixtures and fittings, tools and equipment		47,666	38,222
Leasehold improvements		<u>15,586</u>	<u>12,823</u>
		<u>66,012</u>	<u>53,045</u>
Investments	11		
Deposits		<u>17,522</u>	<u>17,823</u>
Total fixed assets		<u>90,890</u>	<u>79,523</u>
Current assets			
Inventories			
Finished goods		<u>284,091</u>	<u>272,393</u>
Receivables			
Trade receivables		5,479	2,112
Receivables from group entities		40,367	0
Other receivables		5,838	4,436
Deferred tax asset	12	15,246	28,365
Prepayments	13	<u>13,187</u>	<u>12,824</u>
		<u>80,117</u>	<u>47,737</u>
Cash at bank and in hand		<u>51,064</u>	<u>156,577</u>
Total current assets		<u>415,272</u>	<u>476,707</u>
TOTAL ASSETS		<u><u>506,162</u></u>	<u><u>556,230</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2021	31/12 2020
EQUITY AND LIABILITIES			
Equity			
Contributed capital	14	1,000	1,000
Retained earnings		<u>73,577</u>	<u>22,104</u>
Total equity		<u>74,577</u>	<u>23,104</u>
Provisions			
Provisions for warranties	15	800	1,000
Other provisions		<u>320</u>	<u>195</u>
Total provisions		<u>1,120</u>	<u>1,195</u>
Liabilities other than provisions			
Non-current liabilities other than provisions			
Loan payable to banks	16	<u>10,000</u>	<u>140,000</u>
Current liabilities other than provisions			
Prepayments received from customers		7,721	8,092
Trade payables		291,617	261,255
Payables to group entities		65	521
Other payables	17	<u>121,062</u>	<u>122,063</u>
		<u>420,465</u>	<u>391,931</u>
Total liabilities other than provisions		<u>430,465</u>	<u>531,931</u>
TOTAL EQUITY AND LIABILITIES		<u><u>506,162</u></u>	<u><u>556,230</u></u>

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2021	1,000	22,104	23,104
Transferred over the profit appropriation	0	51,473	51,473
Equity at 31 December 2021	1,000	73,577	74,577

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Cash flow statement

DKK'000	Note	2021	2020
Profit/loss for the year		51,473	30,956
Other adjustments of non-cash operating items	18	<u>45,541</u>	<u>48,257</u>
Cash flows from operations before changes in working capital		97,014	79,213
Changes in working capital	19	<u>11,701</u>	<u>147,728</u>
Cash flows from ordinary activities		108,715	226,941
Interest income		25	15
Interest expense		<u>-8,211</u>	<u>-18,636</u>
Cash flows from operating activities		<u>100,529</u>	<u>208,320</u>
Acquisition of property, plant and equipment		-36,344	-15,375
Fixed asset investments made, etc.		<u>302</u>	<u>1,000</u>
Cash flows from investing activities		<u>-36,042</u>	<u>-14,375</u>
Proceeds from loans from credit institutions		-130,000	-41,500
Proceeds of loans to third parties		-40,000	0
Proceeds of loans from third parties		<u>0</u>	<u>-60,000</u>
Cash flows from financing activities		<u>-170,000</u>	<u>-101,500</u>
Cash flows for the year		-105,513	92,445
Cash and cash equivalents at the beginning of the year		<u>156,577</u>	<u>64,132</u>
Cash and cash equivalents at year-end		<u><u>51,064</u></u>	<u><u>156,577</u></u>

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1 Accounting policies

The annual report of Silvan A/S for 2021 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.

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 ® 2020.

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 the inventory of goods for resale.

Other operating income

Other operating income comprises items secondary to the activities of the entity.

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.

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1 Accounting policies (continued)

Other operating costs

Other operating costs comprise items secondary to the activities of the entity, including losses on the disposal of intangible assets and property, plant and equipment.

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 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 entities in proportion to their taxable income.

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:

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1 Accounting policies (continued)

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.

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.

Investments

Deposits are measured at fair value at year end.

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.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

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1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable 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.

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.

Equity

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

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.

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1 Accounting policies (continued)

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.

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.

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1 Accounting policies (continued)

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.

DKK'000	2021	2020
2 Revenue		
Geographical segments		
Revenue, Denmark	<u>1,241,751</u>	<u>1,392,781</u>
3 Staff costs		
Wages and salaries	217,149	227,224
Pensions	15,182	15,982
Other social security costs	<u>6,893</u>	<u>6,945</u>
	<u>239,224</u>	<u>250,151</u>
Average number of full-time employees	<u>597</u>	<u>639</u>

The CEO is employed by the Parent Company, and SILVAN pays a monthly fee in which remuneration of the CEO is covered. This part is included in the below remuneration of the Executive Board.

Staff costs include remuneration of the Executive Board of DKK 8,953 thousand (2020: DKK 5,136 thousand).

In accordance with section 98b(3) of the Danish Financial Statements Act, remuneration of the Executive Board and the Board of Directors is presented as an aggregate single amount.

4 Depreciation, amortisation and impairment losses

DKK'000	2021	2020
Amortisation of intangible assets	1,299	1,298
Depreciation of property, plant and equipment	<u>23,247</u>	<u>23,535</u>
	<u>24,546</u>	<u>24,833</u>

5 Other financial income

Other financial income	392	13
Exchange gains	<u>0</u>	<u>2</u>
	<u>392</u>	<u>15</u>

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DKK'000	<u>2021</u>	<u>2020</u>
6 Other financial expenses		
Interest expense to group entities	0	680
Other financial costs	5,960	17,956
Exchange losses	<u>387</u>	<u>0</u>
	<u>6,347</u>	<u>18,636</u>
7 Tax on profit for the year		
Current tax for the year	0	0
Deferred tax for the year	<u>15,116</u>	<u>8,869</u>
	<u>15,116</u>	<u>8,869</u>
8 Proposed profit appropriation		
Retained earnings	<u>51,473</u>	<u>30,956</u>
9 Intangible assets		
DKK'000		<u>Goodwill</u>
Cost at 1 January 2021		<u>12,982</u>
Cost at 31 December 2021		<u>12,982</u>
Amortisation and impairment losses at 1 January 2021		-4,327
Amortisation for the year		<u>-1,299</u>
Amortisation and impairment losses at 31 December 2021		<u>-5,626</u>
Carrying amount at 31 December 2021		<u>7,356</u>

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10 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 2021	14	2,183	82,623	16,519	101,339
Additions for the year	971	490	29,769	5,114	36,344
Disposals for the year	0	-858	-60,273	0	-61,131
Transfers for the year	-14	0	14	0	0
Cost at 31 December 2021	971	1,815	52,133	21,633	76,552
Depreciation and impairment losses at 1 January 2021	0	-197	-44,401	-3,696	-48,294
Depreciation for the year	0	-606	-20,289	-2,351	-23,246
Reversed depreciation and impairment losses on assets sold	0	777	60,223	0	61,000
Depreciation and impairment losses at 31 December 2021	0	-26	-4,467	-6,047	-10,540
Carrying amount at 31 December 2021	971	1,789	47,666	15,586	66,012

11 Investments

DKK'000	Deposits
Cost at 1 January 2021	17,823
Disposals for the year	-301
Cost at 31 December 2021	17,522
Carrying amount at 31 December 2021	17,522

12 Deferred tax asset

DKK'000	31/12 2021	31/12 2020
Deferred tax asset at 1 January	28,365	38,835
Adjustment deferred tax asset at 1 January	1,997	-1,601
Amounts recognised in the income statement for the year	-15,116	-8,869
	15,246	28,365

Management has chosen to capitalise the full deferred tax asset based on forecast for the coming 1-2 years for the companies in the Danish joint taxation. The forecast is by nature subject to uncertainty.

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13 Prepayments

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

DKK'000	31/12 2021	31/12 2020
Other prepayments	13,187	12,824
	<u>13,187</u>	<u>12,824</u>

14 Equity

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

All shares rank equally.

15 Provisions

DKK'000	Warranties	Other provisions	Total
Cost at 1 January 2021	1,000	195	1,195
Amounts recognised in the income statement for the year	<u>-200</u>	<u>125</u>	<u>-75</u>
Cost at 31 December 2021	<u>800</u>	<u>320</u>	<u>1,120</u>

16 Non-current liabilities other than provisions

DKK'000	31/12 2021	31/12 2020	Outstanding debt after five years
Loan payable to banks	10,000	140,000	0
	<u>10,000</u>	<u>140,000</u>	<u>0</u>

17 Other payables

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

18 Other adjustments

DKK'000	2021	2020
Financial income	-392	-15
Financial expenses	6,347	18,635
Depreciation, amortisation and impairment losses, including losses and gains on sales	24,546	24,937
Provisions	-75	-4,050
Tax on profit/loss for the year	15,116	8,869
Other adjustments	<u>-1</u>	<u>-119</u>
	<u>45,541</u>	<u>48,257</u>

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19 Change in working capital

DKK'000	2021	2020
Inventories before provisions	-9,947	75,346
Inventory provisions	-1,751	2,394
Receivables	-5,132	18,648
Payables	28,531	51,340
	<u>11,701</u>	<u>147,728</u>

20 Fees to auditor appointed at the general meeting

Statutory audit	630	669
Other services	98	436
	<u>728</u>	<u>1,105</u>

21 Mortgages and collateral

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

Business mortgage of DKK 10.0 million with first priority in Inventory and trade accounts receivable arising from the sale of goods or services and property, plant and equipment of DKK 355.6 million has been provided as collateral for the Company's credit facility.

Of the Company's cash at bank and in hand at 31 December 2021, an amount of DKK 13,018 thousand has been deposited as collateral for the Company's bank engagements.

Rent guarantee:

The Company has rent guarantees of DKK 16.3 million, which are stated as normal rent guarantees.

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22 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. Moreover, the group entities 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	<u>31/12 2021</u>	<u>31/12 2020</u>
Future minimum lease payments on property operating leases		
Within 1 year	114,545	106,612
Between 1 and 5 years	308,933	307,945
After 5 years	<u>122,334</u>	<u>177,129</u>
	<u>545,812</u>	<u>591,686</u>
Future minimum lease payments on other operating leases		
Within 1 year	17,310	30,526
Between 1 and 5 years	<u>2,697</u>	<u>8,784</u>
	<u>20,007</u>	<u>39,310</u>
Total operating lease commitments		
Total operating lease commitments	<u>565,820</u>	<u>630,996</u>

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23 Related party disclosures

Silvan A/S' related parties comprise the following:

Control

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

Silvan Holding GmbH holds 100% of the contributed capital in the Company.

Silvan A/S is part of the consolidated financial statements of AURELIUS Equity Opportunities SE & Cp. KGaA, Ludwig-Ganghofer-Straße 6, 82031 Grünwald, Germany, registered office, which is the smallest and largest group, respectively, 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	2021	2020
Fee to Parent Company	6,247	6,260
	6,247	6,260

Remuneration to the Parent Company's Executive Board and Board of Directors is disclosed in note 3.

Payables to associates and subsidiaries are disclosed in the balance sheet, and interest expense is disclosed in note 6.