SILVAN A/S

Edwin Rahrs Vej 88
DK-8220 Brabrand

CVR no. 38 84 12 97

Annual report 2020

The annual report was presented and approved at the Company's annual general meeting on 31 March 2021 ______________________ 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 2020.

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 2020 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2020.

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, 31 March 2021
Executive Board:

Jan-Christian Becker CEO	Keld Larsen	Michael Lange
Kenneth Kragh Madsen		

Board of Directors:

Ekhard Depken Chairman	Jan-Christian Becker	Leif Lupp

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 2020 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 2020 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2020 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.

Independent auditor's report

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.
- 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.

Independent auditor's report

Aarhus, 31 March 2021
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
DK-8220 Brabrand

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

Board of Directors

Ekhard Depken, Chairman
Jan-Christian Becker
Leif Lupp

Executive Board

Jan-Christian Becker, CEO
Keld Larsen
Michael Lange
Kenneth Kragh Madsen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Management's review

Financial highlights

DKK'000	2020 Full year	2019 Full year	2018 Full year	2017 5 months (First financial year)
Income statement				
Revenue	1,392,781	1,487,181	1,604,016	459,577
Gross profit	548,391	503,458	589,559	167,187
EBITDA	83,278	-67,200	12,858	-48,580
EBIT	58,446	-94,874	-7,585	-54,566
EBT	39,825	-110,461	-16,610	-56,859
Profit/loss for the year	30,957	-86,929	-12,918	-44,506
Balance sheet				
Inventories	272,393	350,133	493,298	387,586
Cash at bank and in hand	156,577	64,132	52,761	105,482
Total assets	556,230	581,858	748,971	642,445
Investments in property, plant and equipment	15,378	11,590	49,968	6,346
Equity	23,105	-7,852	79,076	91,994
Cash flows from operating activities	208,320	-7,340	-68,511	-25,094
Cash flows from investing activities	-14,375	-11,789	-50,210	-23,208
Cash flows from financing activities	-101,500	30,500	66,000	145,000
Total cash flows	92,445	11,371	-52,721	96,698
Reported financials – key ratios				
Gross margin	39.4%	33.9%	36.8%	36.4%
EBITDA margin	6.0%	-4.5%	0.8%	-10.6%
Return on invested capital	14.6%	-11.5%	-46.1%	-7.6%
Current ratio	89.6%	136.2%	102.9%	143.9%
Solvency ratio	4.2%	-1.2%	10.6%	14.3%
Adjusted financials – key ratios[1]				
Adjusted gross profit	551,475	540,380	557,882	-
Adjusted EBITDA	100,781	-6,456	-36,015	-
Adjusted EBITDA change	107,237	29,559	-	-
Adjusted gross margin	39.6%	36.3%	34.8%	-
Adjusted EBITDA margin	7.2%	-0.4%	-2.2%	-
Average number of full-time employees	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	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
EBITDA margin	$\frac{\text{EBITDA x 100}}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit x 100}}{\text{Average invested capital}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Short-term debt}}$
Solvency ratio	$\frac{\text{Equity ex. non-controlling interests year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$

Management review

Operating review

Company description

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. The focus is on making home improvement more accessible, customer-centric and offer an exciting shopping experience.

Financial development in 2020

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 EBITDA of 30 million compared to 2018.

During 2020, the positive development continued, and Adjusted EBITDA increased to DKK 101 million, which is an increase of DKK 107 million compared to 2019. Reported EBITDA in 2020 was DKK 83 million, which is an increase of DKK 150 million on 2019, which can be summarised as follows:

- DKK 42 million in additional gross profit
- DKK 31 million lower logistical costs
- DKK 35 million lower personnel costs
- DKK 15 million lower costs on building and machinery
- DKK 27 million lower other external costs.

This positive development mainly arises from the following key projects, which are explained below:

1. Inventory ramp down

   In March 2019 Silvan reached an all-time high inventory level of DKK 547 million. The initial target was to reduce the level to DKK 400 million in 2019 and to make further reductions in 2020. Already in 2019, the inventory level was reduced to DKK 350 million. In 2020, inventory was further reduced to DKK 272 million.

2. Store network program

   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. 3 stores have been closed due this program while other stores have been turned into profitable stores.

3. Furthermore, a new concept has been developed for smaller stores in the city centres. As part of this program Silvan opened a new city centre store in Aarhus already in December 2020. One more store will be opened at Kultorvet in Copenhagen in summer 2021, and 1-2 more store openings are expected for 2021.

4. Furthermore, Silvan has developed a new store design and layout, which was first launched at the new city centre store in Aarhus in December 2020. In 2021, it is planned to facelift several of the existing stores to the new design and layout. The rebuilding has already begun at the store in Fisketorvet and will also be launched soon at the store in Vejle.

Management review

Operating review

5. Logistical set-up & costs

   Logistical costs increased significantly during the second half of 2018 and first half of 2019 for two main reasons. Too high inventory levels resulted in too many required warehouses and a change of logistic provider caused requirements for operational improvements. As of June 2020, the number of warehouses has been reduced to 2. Furthermore, transportation cycles and routines have been improved to save transportation costs but also to reduce the environmental footprint of Silvan. The continuous increase in logistical costs was discontinued during the second half of 2019, and therefore no overall effect from this project could be seen in the financials for 2019. Nevertheless, the effect is now visible in the 2020 figures that show a reduction by more than 50% (DKK 31 million saving). Additional savings on logistical costs are expected for 2021 as a result of additional optimisation measures.

6. Margin stabilization

   Gross margin decreased from 39% in 2013 to only 35% in 2018. More than 20 measures were identified in 2019 to increase gross margin again. Amongst others, these measures included optimisation of the supplier basis and changes in operational procedures at Silvan (e.g. improving store layout). The changes had an effect already from Q4 2019 onwards with higher gross margins but also slightly lower sales. Overall gross profit has improved significantly due to this program with gross margin now above 39% for 2020.

7. Personnel costs & organizational structure

   Due to store closures but also as an effect of implemented operational improvements, Silvan reduced in 2019 compared to 2018 personnel costs by more than DKK 30 million. Additional saving was achieved from these improvements during the first half of 2020. Furthermore, staff planning in the stores was optimised during the second half of 2020 to match better the customer flow. All measures in total led to an additional saving on personnel costs in 2020 by DKK 35 million compared to 2019.

8. Improvement and expansion of service offering:

   a. Improvement of existing services: A review was made in 2020 of all existing services, and several improvements were made as a result of this review. As an example, the return period for products was increased from three to twelve months and the free cargo bike rental service has been implemented at several additional stores.

   b. Parcel shops: A new service was introduced in 2020 which is a nation-wide parcel shop service. As of 31 December 2020, customers can pick of parcels from Bring, DAO, GLS, and PostNord. For 2021, the target is to add even more service provides. The offering of this service has several benefits to Silvan: generating additional income, increasing the customer traffic to the stores and introducing new customers to Silvan.

   c. Adding additional services: Several new services are currently being looked into, and some of them will most likely be implemented nation-wide in 2021. As an example, at its new store in Aarhus, Silvan has introduced the service to charge electrical cars.

9. Revised marketing approach:

   A revised marketing approach has been developed during 2019 and 2020. Amongst others, Silvan has reduced the number of physically distributed leaflets substantially in 2020. One additional reason for the reduction in 2020 is also COVID-19 which resulted in no leaflets being distributed in Q2 2020. Overall, the effect is a reasonable saving and a huge reduction of the environmental footprint with an approx. reduction of 998.250 kg paper. Further reductions will be made in 2021 and Silvan expects that either no or almost no leaflets will be distributed in 2021.

Management review

Operating review

COVID-19 effects in 2020 and expectations for 2021

Sales during the lockdown of Denmark in March to May 2020 increased in certain areas for smaller DIY projects such as paint and garden renovation. At the same time, Silvan also had to close two stores which were located in malls which were completely closed as part of the lockdown. After the re-opening of Denmark, sales were back to the levels before COVID-19.

Since 25 December 2020, the stores of Silvan have been closed for normal physical sales with only online sales available to customers either via Click & Collect or direct delivery. Silvan has managed for the first two months of lockdown to maintain relatively high revenue due to being well prepared for a possible lockdown scenario as well as having adjusted and improved its online business and availability of products and services.

The Management of Silvan has been well prepared for this scenario. The cash position at the end of 2020 was DKK 157 million while at the same time Silvan had only DKK 140 million of external borrowing. In summary, Silvan had effectively more cash than external debt leaving significant headroom for potential acquisition of additional borrowing. Furthermore, already at the end of 2020, Silvan had unused borrowing lines of DKK 30 million.

The stores of Silvan were closed for normal shopping in the stores in January and February 2021. Nevertheless, Silvan managed to retain a reasonable sales level in these two months via online sales and via Click & Collect.

After the reopening on 1 March 2021, Silvan has prepared a new forecast for 2021. The forecast shows a positive net income slightly below results achieved in 2020, which is due to positive expectations for the rest of the year which should almost outweigh the low performance in January and February 2021.

Risk management

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 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 & going concern risks (see also note 2)

   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 30m DKK EBITDA compared to 2018.

   During 2020, the positive development has continued, and Adjusted EBITDA has increased to 101m DKK, which is an increase of 107m DKK compared to 2019. Reported EBITDA in 2020 was 83m DKK which is an increase compared to 2019 of 150m DKK which can be summarized as following:

   - 42m DKK additional gross profit
   - 31m DKK lower logistical costs
   - 35m DKK lower personnel costs
   - 15m DKK lower costs on building and machinery
   - 27m DKK lower other external costs

Management review

Operating review

Silvan has committed credit facilities amounting to 170m DKK in place as of 31st December 2020 which are considered sufficient to support the planned activities in 2021. All covenants supporting these credit facilities are complied with as of 31 December 2020 and are based on the budget for 2021 expected to be complied with in 2021. As of 31st December 2020, 140m DKK of these facilities were used. In addition, Silvan has a cash balance of 157m DKK and with additional credit facilities of 30m DKK available credit as of 31st December 2020 which result in total available liquidity of 187m DKK end of 2020.

The COVID-19 pandemic can potentially have a negative effect on the financial performance for 2021 in the situation where the stores of Silvan have to be closed temporarily due to an additional lockdown, either in a region or in the whole country.

Based on the Company´s financial performance in 2020, the latest financial forecast for 2021, the cash flow forecast for 2021, the potential effect of an additional COVID-19 lockdown and the current available credit facilities, Management has assessed that the Company's financial statement should be prepared on a going concern basis.

3. Financial risks

   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 providing credit limits to customers, and accordingly risk is limited.

Corporate and social responsibilities

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. The focus is on making home improvement more accessible, customer-centric and offer an exciting shopping experience.

Silvan complies with Danish legislation, including environmental legislation and human rights, labour legislation and safety requirements, and is step by step taking further initiatives to outline this in its own specific policies. Along with many other activities, this journey continued in 2020 and is still ongoing.

Anti-corruption

Silvan is sourcing all its products from external suppliers, and accordingly is not in full control of the entire supply chain. Therefore, Silvan is undertaking significant efforts to ensure that there are frameworks and standards that is suppliers must comply with.

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 currently ongoing and is expected to be finished in 2021.

In addition, Silvan has several compensating financial controls which helps counteract unwarranted financial arrangements.

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 concrete feedback and ongoing discussions with the employees.

Silvan believes that our efforts throughout 2020 have contributed to the good working environment. 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. Nevertheless, the challenges that are resulting from COVID-19, are of course also affecting the workforce of Silvan.

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 effort to ensure that its suppliers respect human rights as well.

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 currently ongoing and is expected to be finished in 2021.

For 2020, there were no registered breaches of Silvan's policy, and all suppliers were in compliance. One of the main risks for the business is that the suppliers could be in non-compliance with Silvan's policies, which is managed through a strict supplier evaluation process and very clear contractual framework, including the Code of Conduct.

Green initiatives

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:

- At a price of more than DKK 8 million, all existing lighting in all stores were changed to LED to reduce the energy usage.
- A revised marketing approach has been developed during 2019 and 2020. Amongst others, Silvan has reduced the number of physically distributed leaflets substantially in 2020. One additional reason for the reduction in 2020 is also COVID-19 which resulted in no leaflets being distributed in Q2 2020. Overall, the effect is a reasonable saving and a huge reduction of the environmental footprint with an approx. reduction of 998,250 kg paper. Further reductions will be made in 2021, and Silvan expects that either no or almost no leaflets will be distributed in 2021.
- During Black Friday, a campaign together with "Plant et træ" was run to plant more trees in Denmark. Silvan has donated 5% of all revenue in that weekend (DKK 589,615) to "Plant et træ".
- All packaging used for E-Commerce has been reviewed and to a large extent 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 will be replaced by both environmentally friendly paper bags as well multiple-use plastic bags produced from recycled plastic. The phasing out of the one-time-use bags is currently ongoing.
- Silvan is currently introducing its own label for sustainable products ("Skabt med omtanke") which only qualifies products as sustainable which have a recognised third-party certification.
- The waste handling at all stores of Silvan has been reduced, and a reduction and sorting program is being developed.
- The food offering in the canteen has been changed to include much more organic as well as vegetarian food.

Silvan has set up a project governance structure including monthly Steering Committee meetings in which the complete Executive Board is participating to ensure that the defined measures are successfully implemented. The risks of not achieving the targets of these measures are minimised in this way.

Gender composition

The DIY industry has historically been a man-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%. There has been no change in the Executive Board nor the Board of Directors since the 2019 Annual Report was published, and the target therefore is still not met for the Executive Board nor for the Board of Directors with only male representation.

As of 31 December 2020, 1st and 2nd level management of Silvan had 26% female representation.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2020	2019
Revenue	3	1,392,781	1,487,181
Cost of sales		-847,716	-983,723
Other operating income		3,327	926
Gross profit		548,392	504,384
Staff costs	4	-250,151	-286,230
Other external costs		-214,859	-285,354
Other operating costs		-103	0
EBITDA		83,279	-67,200
Depreciation, amortisation and impairment losses	5	-24,833	-27,674
EBIT		58,446	-94,874
Financial income	6	15	81
Financial expenses	7	-18,635	-15,668
EBT		39,826	-110,461
Tax for the year	8	-8,869	23,532
Profit/loss for the year	9	30,957	-86,929

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2020	31/12 2019
ASSETS			
Fixed assets			
Intangible assets	10		
Goodwill		8,655	9,953
Property, plant and equipment	11		
Property, plant and equipment under construction		14	43
Plant and machinery		1,986	2,318
Fixtures and fittings, tools and equipment		38,222	45,438
Leasehold improvements		12,823	14,163
		53,045	61,962
Investments	12		
Deposits		17,823	18,823
Total fixed assets		79,523	90,738
Current assets			
Inventories			
Finished goods		272,393	350,133
Receivables			
Trade receivables		2,112	14,987
Other receivables		4,436	8,507
Deferred tax asset	13	28,365	38,835
Prepayments	14	12,824	14,526
		47,737	76,855
Cash at bank and in hand		156,577	64,132
Total current assets		476,707	491,120
TOTAL ASSETS		556,230	581,858

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2020	31/12 2019
EQUITY AND LIABILITIES			
Equity			
Contributed capital	15	1,000	1,000
Retained earnings		22,104	-8,852
Total equity		23,104	-7,852
Provisions	16		
Provisions for warranties		1,000	5,000
Other provisions		195	245
Total provisions		1,195	5,245
Liabilities other than provisions			
Non-current liabilities other than provisions	17		
Loan payable to banks		140,000	181,500
Loan payable to third parties		0	42,316
		140,000	223,816
Current liabilities other than provisions			
Prepayments received from customers		8,092	10,307
Trade payables		261,255	259,593
Payables to group entities		521	20,578
Other payables	18	122,063	70,171
		391,931	360,649
Total liabilities other than provisions		531,931	584,465
TOTAL EQUITY AND LIABILITIES		556,230	581,858

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2020	1,000	-8,852	-7,852
Transferred over the profit appropriation	0	30,956	30,956
Equity at 31 December 2020	1,000	22,104	23,104

Financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	2020	2019
Profit/loss for the year		30,956	-86,929
Other adjustments of non-cash operating items	19	48,257	24,442
Cash flows from operations before changes in working capital		79,213	-62,487
Changes in working capital	20	147,728	68,419
Cash flows from ordinary activities		226,941	5,932
Interest income		15	81
Interest expense		-18,636	-13,353
Cash flows from operating activities		208,320	-7,340
Acquisition of property, plant and equipment		-15,375	-11,590
Fixed asset investments made, etc.		1,000	-199
Cash flows from investing activities		-14,375	-11,789
External financing:			
Proceeds from loans from credit institutions		-41,500	15,500
Proceeds of loans from third parties		-60,000	15,000
Cash flows from financing activities		-101,500	30,500
Cash flows for the year		92,445	11,371
Cash and cash equivalents at the beginning of the year		64,132	52,761
Cash and cash equivalents at year end		156,577	64,132

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of SILVAN A/S for 2020 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.

A few restatements have been made of the comparative figures as a result of reclassications.

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 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/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 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.

Financial statements 1 January – 31 December

Notes

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.

Financial statements 1 January – 31 December

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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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Notes

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.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations & Financial Ratios 2015".

The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity ex. non-controlling interests at year end x 100}}{\text{Total equity and liabilities at year end}}$

Financial statements 1 January – 31 December

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2 Going concern

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 30m DKK EBITDA compared to 2018.

During 2020, the positive development has continued, and Adjusted EBITDA has increased to 101m DKK, which is an increase of 107m DKK compared to 2019. Reported EBITDA in 2020 was 83m DKK which is an increase compared to 2019 of 150m DKK which can be summarized as following:

- 42m DKK additional gross profit
- 31m DKK lower logistical costs
- 35m DKK lower personnel costs
- 15m DKK lower costs on building and machinery
- 27m DKK lower other external costs

Silvan has committed credit facilities amounting to 170m DKK in place as of 31st December 2020 which are considered sufficient to support the planned activities in 2021. All covenants supporting these credit facilities are complied with as of 31 December 2020 and are based on the budget for 2021 expected to be complied with in 2021. As of 31st December 2020, 140m DKK of these facilities were used. In addition, Silvan has a cash balance of 157m DKK and with additional credit facilities of 30m DKK available credit as of 31st December 2020 which result in total available liquidity of 187m DKK end of 2020.

The COVID-19 pandemic can potentially have a negative effect on the financial performance for 2021 in the situation where the stores of Silvan have to be closed temporarily due to an additional lockdown, either in a region or in the whole country.

Based on the Company´s financial performance in 2020, the latest financial forecast for 2021, the cash flow forecast for 2021, the potential effect of an additional COVID-19 lockdown and the current available credit facilities, Management has assessed that the Company's financial statement should be prepared on a going concern basis.

3 Revenue

DKK'000	2020	2019
Geographical segments		
Revenue, Denmark	1,392,781	1,487,181

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4 Staff costs

DKK'000	2020	2019
Wages and salaries	227,224	258,177
Pensions	15,982	19,561
Other social security costs	6,945	8,492
	250,151	286,230
Average number of full-time employees	639	795

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 5,136 thousand (2019: DKK 10,453 thousand).

DKK'000	2020	2019

5 Depreciation, amortisation and impairment losses

Amortisation of intangible assets	1,298	1,298
Depreciation of property, plant and equipment	23,535	26,376
	24,833	27,674

6 Other financial income

Other financial income	13	8
Exchange gains	2	73
	15	81

7 Other financial expenses

Interest expense to group entities	680	0
Other financial costs	17,956	15,093
Exchange losses	0	575
	18,636	15,668

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DKK'000		2020	2019
8	**Tax on profit/loss for the year**		
	Current tax for the year	0	0
	Deferred tax for the year	8,869	-23,532
		8,869	-23,532

9 Proposed profit appropriation/distribution of loss

	2020	2019
Retained earnings	30,956	-86,929

10 Intangible assets

DKK'000	Goodwill	Total
Cost at 1 January 2020	12,982	12,982
Cost at 31 December 2020	12,982	12,982
Amortisation and impairment losses at 1 January 2020	-3,029	-3,029
Amortisation for the year	-1,298	-1,298
Amortisation and impairment losses at 31 December 2020	-4,327	-4,327
Carrying amount at 31 December 2020	8,655	8,655

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 2020	43	2,393	71,176	16,229	89,841
Additions for the year	14	331	14,743	290	15,378
Disposals for the year	0	-541	-3,339	0	-3,880
Transfers for the year	-43	0	43	0	0
Cost at 31 December 2020	14	2,183	82,623	16,519	101,339
Depreciation and impairment losses at 1 January 2020	0	-75	-25,738	-2,066	-27,879
Depreciation for the year	0	-502	-21,403	-1,630	-23,535
Reversed depreciation and impairment losses on assets sold	0	380	2,740	0	3,120
Depreciation and impairment losses at 31 December 2020	0	-197	-44,401	-3,696	-48,294
Carrying amount at 31 December 2020	14	1,986	38,222	12,823	53,045

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12 Investments

DKK'000	Deposits
Cost at 1 January 2020	18,823
Disposals for the year	-1,000
Cost at 31 December 2020	17,823
Carrying amount at 31 December 2020	17,823

13 Deferred tax asset

DKK'000	31/12 2020	31/12 2019
Deferred tax asset at 1 January	38,835	16,045
Adjustment deferred tax asset at 1 January	-1,601	-742
Amounts recognised in the income statement for the year	-8,869	23,532
	28,365	38,835

Management has chosen to capitalise the full deferred tax asset based on forecast for the coming 4-5 years for the companies in the Danish joint taxation. The forecast is by nature subject to uncertainty.

14 Prepayments

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

Favourable contracts	0	1,501
Other prepayments	12,824	13,025
	12,824	14,526

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 2020	5,000	245	5,245
Amounts recognised in the income statement for the year	-4,000	-50	-4,050
Cost at 31 December 2020	1,000	195	1,195

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17 Non-current liabilities other than provisions

DKK'000	31/12 2020	31/12 2019	Outstanding debt after five years
Loan payable to banks	140,000	181,500	0
Loan payable to third parties	0	42,316	0
	140,000	223,816	0

18 Other payables

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

DKK'000	2020	2019

19 Other adjustments

Financial income	-15	-81
Financial expenses	18,635	15,668
Depreciation, amortisation and impairment losses, including losses and gains on sales	24,937	27,609
Provisions	-4,050	4,745
Tax on profit/loss for the year	8,869	-23,532
Other adjustments	-119	33
	48,257	24,442

20 Change in working capital

Inventories before provisions	75,346	-134,048
Inventory provisions	2,394	-9,217
Receivables	18,648	-40,033
Payables	51,340	114,879
	147,728	-68,419

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21 Fees to auditor appointed at the general meeting

DKK'000	2020	2019
Statutory audit	669	866
Other services	436	132
	1,105	998

22 Mortgages and collateral

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

Business mortgage of DKK 140.0 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 327.6 million has been provided as collateral for the Company’s credit facility.

Rent guarantee:

The Company has rent guarantees of DKK 13.0 million, which are stated as normal rent guarantees.

Supplier guarantee:

The Company has supplier guarantees of DKK 5.3 million.

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. Moreover, 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

Future minimum lease payments on property operating leases

Within 1 year	106,612	111,135
Between 1 and 5 years	307,945	320,856
After 5 years	177,129	239,241
	591,686	671,232

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DKK'000	31/12 2020	31/12 2019
Future minimum lease payments on other operating leases		
Within 1 year	30,526	20,285
Between 1 and 5 years	8,784	6,207
	39,310	26,492

Total operating lease commitments

Total operating lease commitments	630,996	697,725

24 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 the majority 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	2020	2019
Fee to Parent Company	6,260	6,271
	6,260	6,271

Remuneration to the Parent Company's Executive Board and Board of Directors is disclosed in note 4.

Payables to associates and subsidiaries are disclosed in the balance sheet, and interest expense is disclosed in note 7.