SILVAN A/S

Edwin Rahrs Vej 88
8220 Brabrand

CVR no. 38 84 12 97

Annual report 2019

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

28 August 2020

Ekhard Depken
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 2019.

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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019.

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, 28 August 2020
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 2019 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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

- 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.

Independent auditor's report

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, 28 August 2020
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised
Public Accountant
mne33220

Michael E. K. Rasmussen
State Authorised
Public Accountant
mne41364

Management's review

Company details

SILVAN A/S
Edwin Rahrs Vej 88
8220 Brabrand

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

Board of Directors

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	Reviewed 2020 6 months	Not audited or reviewed 2019 6 months	Audited 2019 Full year	Audited 2018 Full year	Audited 2017 5 months
Income statement					
Revenue	786,181	816,041	1,487,181	1,604,016	459,577
Gross profit	305,967	279,929	503,458	589,559	167,187
EBITDA	68,728	-8,100	-67,200	12,858	-48,580
EBIT	55,879	-22,475	-94,874	-7,585	-54,566
EBT	45,721	-30,832	-110,461	-16,610	-56,859
Profit/loss for the year	35,662	-24,049	-86,929	-12,918	-44,506
Balance sheet					
Inventories	338,467	474,311	350,133	493,298	387,586
Cash at bank and in hand	142,060	52,907	64,132	52,761	105,482
Total assets	615,243	732,062	581,858	748,971	642,445
Equity	28,552	55,028	-7,852	79,077	91,994
Cash flows from operating activities	125,438	-13,047	-7,340	-68,511	-25,094
Cash flows from investing activities	-916	-7,807	-11,789	-50,210	-23,208
Cash flows from financing activities	-46,594	21,000	30,500	66,000	145,000
Total cash flows	77,928	146	11,371	-52,721	96,698
Reported financials – key ratios					
Gross margin	38.9%	34.3%	33.9%	36.8%	36.4%
EBITDA margin	8.7%	-1.0%	-4.5%	0.8%	-10.6
Solvency ratio	4.6%	7.5%	-1.3%	10.6%	14.3%
Adjusted financials – key ratios[1]					
Adjusted gross profit	307,492	286,419	540,380	557,882	-
Adjusted EBITDA	79,359	3,086	-6,456	-36,015	-
Adjusted EBITDA change	76,273	-	29,559	-	-
Adjusted gross margin	39.1%	35.1%	36.3%	34.8%	-
Adjusted EBITDA margin	10.1%	-0.4%	-0.4%	-2.2%	-
Average number of full-time employees	715	826	795	849	768

[1] **Expectional 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

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

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
EBITDA margin	$\frac{\text{EBITDA x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity ex. non-controlling interests year end x 100}}{\text{Total equity and liabilities at year end}}$

Management review

Financial figures

DKK'000	**Reviewed** 2020 6 months	**Not audited or reviewed** 2019 6 months
Revenue	786,181	816,041
Cost of sales	-480,214	-536,112
Gross profit	305,967	279,929
Staff costs	-134,518	-154,787
Other external costs	-102,682	-132,811
Other operating costs	-39	-431
EBITDA	68,728	-8,100
Depreciation, amortisation and impairment	-12,849	-14,375
EBIT	55,879	-22,475
Financial income	12	0
Financial expenses	-10,170	-8,357
EBT	45,721	-30,832
Tax for the year	-10,059	6,783
Result for the year	35,662	-24,049

Management review

Financial figures

DKK'000	Reviewed 2020 6 months	Not audited or reviewed 2019 6 months
ASSETS		
Fixed assets		
Goodwill	9,304	10,602
Property, plant and equipment	50,428	75,453
Investments	17,771	18,731
Total fixed assets	77,503	104,786
Current assets		
Inventories	338,467	474,311
Receivables		
Trade receivables	5,933	30,740
Other receivables	5,693	22,034
Deferred tax asset	29,519	22,827
Prepayments	16,068	24,457
Total receivables	57,213	100,058
Cash at bank and in hand	142,060	52,907
Total current assets	537,740	627,276
TOTAL ASSETS	615,243	732,062

Management review

Financial figures

DKK'000	Reviewed 2020 6 months	Not audited or reviewed 2019 6 months
EQUITY AND LIABILITIES		
Equity		
Contributed capital	1,000	1,000
Retained earnings	27,552	54,028
Total equity	28,552	55,028
Provisions		
Provision for warranties	3,200	0
Other provisions	195	500
Total provisions	3,395	500
Liabilities other than provisions		
Current liabilities other than provisions		
Loan payables to banks	158,056	192,000
Loan payables to third parties	31,997	43,284
Prepayments received from customers	8,773	0
Trade payables	243,085	354,845
Payables to group entities	10,036	0
Other payables	131,349	86,405
Total current liabilities other than provisions	583,296	676,534
Total liabilities other than provisions	583,296	676,534
TOTAL EQUITY AND LIABILITIES	615,243	732,062

Management's review

Operating review

Principal activities

Silvan is a leading Danish Do-It-Yourself ("DIY") retailer and operates 41 stores and one online shop. The stores are primarily located in larger cities. At Silvan everything is about DIY projects: the focus is on helping customers to improve their home according to their individual wishes and preferences. The target is to make home improvement more accessible, customer-centric and offer an exciting shopping experience.

Development in activities and financial position

During 2019, the focus at Silvan was on reviewing, restructuring and improving operations. A new management took over during the first six years and concentrated on improving the cost base, reducing inventory, and developing and implementing a new customer-oriented strategy. Significant one-off losses were incurred, amongst others due to the implemented inventory reductions but also due to the executed restructuring program. The losses are in alignment with the restructuring plan that was developed during 2019. If 2019 results are adjusted for one-off costs, the true operational performance was already improved by approx. 30m DKK EBITDA compared to 2018.

During 2020, the positive development has continued, and the half year reviewed figures show an increase in EBITDA for the first 6 months of 2020 compared to the same period in 2019 of 76.8m DKK, which can be summarized as following:

- 26.0m DKK additional gross profit
- 20.3m DKK lower personnel costs
- 30.1m DKK lower other external costs
- 0.4m DKK lower other operating costs.

For the whole year 2020, it is expected that Adjusted EBITDA will improve from negative 6.5m DKK in 2019 by approx. 67.4m DKK to 60.9m DKK. This positive development mainly arises from 6 key projects identified in summer 2019, which are explained below:

- Inventory ramp down
  In March 2019 Silvan reached an all-time high inventory level of 547m DKK. The initial target was to reduce the level to 400m DKK in 2019 and to make further reductions in 2020. Already in 2019, the inventory level was reduced to 350m DKK. The reduction on inventory level had a significant negative impact on the 2019 reported EBITDA of approximately 38m DKK. As of June 2020, inventory has been reduced further to 338m DKK, and the expectation for year-end 2020 is a reduction below 300m DKK.

- 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 to this program, while other stores have been turned into profitable stores.

  Furthermore, a new concept has been developed for smaller stores in the city centers. Silvan is working on opening more city center stores, and one store will open in Aarhus already in late 2020. Further openings are expected for 2021 in several Danish cities.

Management's review

Operating review

- Logistical set-up & costs
  Logistical costs increased significantly in 2nd half of 2018 and first half of 2019 for 2 main reasons. Too high inventory levels resulted in high demand for 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 logistic costs was stopped during the 2nd half of 2019 and therefore no overall effect from this project can be seen in the financials for 2019. During the first half year in 2020, logistical costs have already been reduced by more than 50% (> 20m DKK saving), and further savings are expected for the rest of 2020.

- 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 include an optimization of the supplier basis (e.g. the focus on the brands Broil King and Campingaz in the barbecue category), an improvement of the customer offering (e.g. introduction of a nation-wide GLS service in second half of 2020) but also changes of operational procedures at Silvan (e.g. improving the 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 first 6 months of 2020 and with an increased gross profit effect due to this program during the first 6 months of 2020 of more than 11m DKK.

- 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 31m DKK. An additional saving of 20m DKK has been made during the first 6 months of 2020, and additional improvements are expected for the rest oft2020.

- Others
  Several other smaller improvement initiatives were initiated and to a large extent implemented. Amongst others, these initiatives included an introduction of a rebate policies, the sublease of parts of the headquarters and an insourcing of cleaning services.

More key projects have been initiated in 2020 to achieve further improvements but also to grow and expand the business. Several business co-operations are currently in discussion. Furthermore, a revised marketing approach has been developed during 2019 and 2020. Silvan has reduced the number physically distributed leaflets substantially in 2020 with an expected reduction by more than 60% resulting in a reasonable saving and a huge reduction of its environmental footprint due to much less paper used and less transportation.

COVID-19

Sales under the lockdown of Denmark (March to May) have increased in certain areas for smaller DIY projects such as paint and garden renovation. After the re-opening of Denmark, sales are back to the levels before COVID-19.

During the COVID-19 situation, Silvan has been a frontrunner in implementing safety measures to secure the health of both our employees and our customers. Many of these measures are still present in our stores and are expected to stay there for some time to maintain the high focus on the safety for both employees and customers.

Management's review

Operating review

The Management of Silvan has prepared also for a possible recession in Denmark where sales levels might go substantially down. With a cash position of 142m DKK at the end of June 2020 and with available additional borrowing lines of 25m DKK, Silvan is well prepared for a potential downward turn of the economy. Furthermore, the development of the very strong operational cash flow of 125m DKK in the first half of 2020 shows that even with a substantial reduction in sales, Silvan would be able to generate a positive operational cash flow.

Expectations for the year ahead

The Company has lost more than 50% of its contributed capital in 2019 and is therefore subject to the provisions on loss of capital under the Danish Companies Act. The capital has already been restored at 30 June 2020 with an amount of 28.6m DKK. Management forecasts that there will be no loss of capital again going forward.

Overall, for the year 2020, Silvan expects positive EBITDA of approximately 50m DKK (Adjusted EBITDA even above 60m DKK) as well as a positive net income.

Special risks

Operating risks

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

Liquidity risks and going concern

The realised loss for 2019 was higher than the initial budget for 2019 due to strategic decisions. A new management took over during the first half-year of 2019 and concentrated on improving the cost base, reducing inventory, and developing and implementing a new customer-oriented strategy. Significant one-off losses were incurred, amongst others due to the implemented inventory reductions but also due to the executed restructuring program. The losses are in alignment with the restructuring plan that was developed during 2019. If 2019 results are adjusted for one-off costs, the true operational performance was already improved by approx. 30m DKK EBITDA compared to 2018.

Silvan’s forecasts for the year 2020 shows positive EBITDA and net income. Realised results for the first 6 month of 2020 as presented in the key figures are better than budgeted and support the expectations for the full year. Silvan has confirmed credit facilities amounting to 222m DKK in place as of 30 June 2020, which are considered sufficient to support the planned activities in 2020. All covenants supporting these credit facilities were complied with as of 31 December 2019 and as of 30 June 2020 and are based on the forecast for 2020 expected to be complied with in 2020. As of 30 June 2020, 197m DKK of these facilities were used. In addition, Silvan has a cash balance of 142m DKK and additional credit facilities of 25m DKK available at 30 June 2020, which results in total available liquidity of 167m DKK at 30 June 2020.

Based on the Company´s financial performance in 2020, the cash flow forecast for the remaining part of 2020 and the current available credit facilities, Management has assessed that the Company's financial statements should be prepared on a going concern basis.

Management's review

Operating review

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 social responsibility (§ 99 a)

Silvan complies with Danish legislation, including environmental legislation and human rights, labor legislation and safety requirements, and is step by step taking further initiatives to outline this in its own specific policies. Along with many other activities, this journey continued during 2019 and is still ongoing.

Anti-corruption

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

Silvan has several compensating financial controls which help counteract unwarranted financial arrangements.

Social and staff matters

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

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

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

The Company's human 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 our business, where we try to optimise the working environment and respond to employees' expectations.

To support this, Silvan continuously ensures concrete feedback and ongoing discussions with its employees.

Silvan believes that our efforts throughout 2019 and at the beginning of 2020 have contributed to the sound working environment. To do this, we provide training and opportunities for further education and job development. We work hard to promote a spirit of teamwork and co-operation throughout the whole organisation.

Human rights

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

Management's review

Operating review

For 2019, there was no registered breaches of our policy, and all suppliers were in compliance with our policy. One of the main risks for our business is for the suppliers not to be in compliance with our policy, which we manage with a robust and strict supplier evaluation process.

Silvan is dedicated to providing a healthy environment, and we do our utmost to make sure our employees have the necessary competences, tools and instructions to perform their work professionally.

Green initiatives - environment and climate

Silvan's environmental requirements must prevent unnecessary use of resources, prevent pollution and ensure a sound working environment.

At Silvan, during the last year, we have initiated a broad range of projects to set the benchmark for high environmentally friendly standards. We are working on our products and on our offering to our customers, but also with a strong focus on our internal processes.

Concrete measures include e.g. the introduction of a label for sustainable products (Skabt med omtanke), the introduction of a waste reduction and sorting program, a reduction of the physical leaflets distributed to end customers to safe paper (reduction of > 60% achieved during 2020), the exchange of all lighting in all stores to LED (ongoing for implementation until the end of 2020), introduction of more FSC certified products (e.g. moving boxes and packaging material), as well as the replacement of plastic shopping bags by more environmentally friendly paper bags (ongoing for implementation until the end of 2020).

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

Silvan believes that our activities have contributed to reducing environmental and climate impact in 2019 and 2020.

Gender composition (§ 99b)

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

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

Silvan does not want to discriminate, and the most suitable candidate, regardless of background and gender, is always chosen for the position. Silvan, however, acknowledges the advantages of a broad-based management at all levels taking into consideration experience, specialized knowledge, culture and sex, etc. In the management team, we seek diversity in line with the company policy.

Silvan’s target for the underrepresented gender in top management is 25%. At the time of signing the report, 1st and 2nd level management of Silvan has 26% female representation. The target is not met for the Board of Directors with only male representation. The target is to reach this in 2021.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2019	2018
Revenue	3	1,487,181	1,604,016
Cost of sales		-983,723	-1,014,457
Gross profit		503,458	589,559
Staff costs	4	-285,369	-316,889
Other external costs		-285,354	-259,657
Other operating costs		65	-155
EBITDA		-67,200	12,858
Depreciation, amortisation and impairment	5	-27,674	-20,443
EBIT		-94,874	-7,585
Financial income	6	81	9
Financial expenses	7	-15,668	-9,034
EBT		-110,461	-16,610
Tax for the year	8	23,532	3,692
Result for the year	9	-86,929	-12,918

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2019	31/12 2018
ASSETS			
Fixed assets			
Intangible assets	10		
Goodwill		9,953	11,251
Property, plant and equipment	11		
Property, plant and equipment under construction		43	996
Plant and machinery		2,318	2,341
Fixtures and fittings, tools and equipment		45,438	58,527
Leasehold improvements		14,163	17,075
		61,962	78,939
Investments	12		
Deposits		18,823	18,624
Total fixed assets		90,738	108,814
Current assets			
Inventories			
Finished goods		350,133	493,298
Receivables			
Trade receivables		14,987	18,093
Other receivables		8,507	30,984
Deferred tax asset	13	38,835	16,045
Prepayments	14	14,526	28,976
		76,855	94,098
Cash at bank and in hand		64,132	52,761
Total current assets		491,120	640,157
TOTAL ASSETS		581,858	748,971

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2019	31/12 2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital	15	1,000	1,000
Retained earnings		-8,852	78,077
Total equity		-7,852	79,077
Provisions	16		
Provisions for warranties		5,000	0
Other provisions		245	500
Total provisions		5,245	500
Liabilities other than provisions			
Non-current liabilities other than provisions	17		
Loan payable to banks		181,500	0
Loan payable to third parties		42,316	47,400
		223,816	47,400
Current liabilities other than provisions			
Loan payable to banks	17	0	166,000
Prepayments received from customers		10,307	11,731
Trade payables		259,593	373,329
Payables to group entities		20,578	1,044
Other payables	18	70,171	69,890
		360,649	621,994
Total liabilities other than provisions		584,465	669,394
TOTAL EQUITY AND LIABILITIES		581,858	748,971

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2019	1,000	78,077	79,077
Transferred over the distribution of loss	0	-86,929	-86,929
Equity at 31 December 2019	1,000	-8,852	-7,852

Financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	2019	2018
Profit/loss for the year		-86,929	-12,918
Other adjustments of non-cash operating items	19	24,442	13,469
Cash flows from operations before changes in working capital		-62,487	551
Changes in working capital	20	68,419	-61,437
Cash flows from ordinary activities		5,932	-60,886
Interest income		81	9
Interest expense		-13,353	-7,634
Cash flows from operating activities		-7,340	-68,511
Acquisition of property, plant and equipment		-11,590	-49,968
Fixed asset investments made, etc.		-199	-242
Cash flows from investing activities		-11,789	-50,210
External financing:			
Proceeds from loans from credit institutions		15,500	96,000
Proceeds of loans from third parties		15,000	-30,000
Cash flows from financing activities		30,500	66,000
Cash flows for the year		11,371	-52,721
Cash and cash equivalents at the beginning of the year		52,761	105,482
Cash and cash equivalents at year end		64,132	52,761

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of SILVAN A/S for 2019 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 reclassifications of comparative figures from the previous year have been made.

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 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.

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.

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1 Accounting policies (continued)

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries in the Group. The tax effect of the joint taxation is allocated to 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:

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

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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

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

Impairment of fixed assets

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

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

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

Inventories

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

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

Receivables

Receivables are measured at amortised cost.

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

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

Corporation tax and deferred tax

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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

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

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

Prepayments

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

Provisions

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

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

Liabilities other than provisions

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

Other liabilities are measured at net realisable value.

Prepayments and deferred income

Deferred income comprises payments received regarding income in subsequent years.

Cash flow statement

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank deposits.

Segment information

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

Financial statements 1 January – 31 December

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2 Going concern

Realised loss for the year was higher than expected due to strategic decisions. In 2019, a new management took over, which concentrated on improving the cost base, reducing inventory and developing and implementing a new customer-oriented strategy. Significant one-off losses were incurred, amongst others due to the implemented inventory reductions but also due to the executed restructuring program.

Silvan budgets for the year 2020 show positive EBITDA and profit. Realised results for the first 6 months of 2020 as presented in the Key figures and Management's review are better than budgeted and support tfull-year expectations.

The Company's initiatives to improve cash flow and the financial position began to pay off in Q4 2019. Loan payables has been reduced after the balance sheet date, and management continuously focuses on improving efficiency.

Silvan has confirmed credit facilities amounting to 222m DKK in place as of 30 June 2020, which are considered sufficient to support the planned activities and budgeted cash flows for 2020. All covenants supporting these credit facilities were complied with at 31 December 2019 and are based on the forecast for 2020 expected to be complied with in 2020. As of 30 June 2020 197m DKK of this facility was used. In addition, Silvan has cash at hand and in bank of 142m DKK, and additional credit facilities of 25m DKK available as of 30 June 2020.

Based on the Company´s financial performance in 2020, the cash flow forecast for the rest of 2020 and the current available credit facilities, Management has assessed that the Company's financial statements should be prepared on a going concern basis.

3 Revenue

DKK'000	2019	2018
Geographical segments		
Revenue, Denmark	1,487,181	1,604,016

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4 Staff costs

DKK'000	2019	2018
Wages and salaries	257,316	288,426
Pensions	19,561	21,143
Other social security costs	8,492	7,320
	285,369	316,889
Average number of full-time employees	795	849

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 10,453 thousand (2018: DKK 6,767 thousand).

DKK'000	2019	2018

5 Depreciation, amortisation and impairment losses

Amortisation of intangible assets	1,298	1,298
Depreciation of property, plant and equipment	26,376	19,145
	27,674	20,443

6 Financial income

Other financial income	8	9
Exchange gains	73	0
	81	9

7 Financial expenses

Other financial costs	15,093	8,469
Exchange losses	575	565
	15,668	9,034

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DKK'000	2019	2018

8 Tax on profit/loss for the year

	2019	2018
Current tax for the year	0	0
Deferred tax for the year	-23,532	-3,692
	-23,532	-3,692

9 Proposed distribution of loss

	2019	2018
Retained earnings	-86,929	-12,918

10 Intangible assets

DKK'000	Goodwill
Cost at 1 January 2019	12,982
Cost at 31 December 2019	12,982
Amortisation and impairment losses at 1 January 2019	-1,731
Amortisation for the year	-1,298
Amortisation and impairment losses at 31 December 2019	-3,029
Carrying amount at 31 December 2019	9,953

11 Property, plant and equipment

DKK'000	Property, plant and equipment under construction	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1 January 2019	996	2,498	80,318	17,485	101,297
Additions for the year	43	746	12,057	-1,256	11,590
Disposals for the year	0	-851	-22,195	0	-23,046
Transfers for the year	-996	0	996	0	0
Cost at 31 December 2019	43	2,393	71,176	16,229	89,841
Depreciation and impairment losses at 1 January 2019	0	-157	-21,791	-410	-22,358
Depreciation for the year	0	-507	-24,213	-1,656	-26,376
Reversed depreciation and impairment losses on assets sold	0	589	20,266	0	20,855
Depreciation and impairment losses at 31 December 2019	0	-75	-25,738	-2,066	-27,879
Carrying amount at 31 December 2019	43	2,318	45,438	14,163	61,962

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12 Investments

DKK'000	Deposits
Cost at 1 January 2019	18,624
Additions for the year	199
Cost at 31 December 2019	18,823
Carrying amount at 31 December 2019	18,823

13 Deferred tax asset

DKK'000	2019	2018
Deferred tax asset at 1 January	16,045	12,353
Adjustment deferred tax asset at 1 January	-742	0
Amounts recognised in the income statement for the year	23,532	3,692
Deferred tax asset at 31 December	38,835	16,045

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. Forecast is by nature subject to uncertainty.

14 Prepayments

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

DKK'000	31/12 2019	31/12 2018
Favourable contracts	1,501	2,470
Other prepayments	13,025	26,506
	14,526	28,976

15 Equity

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

All shares rank equally.

The Company has lost more than 50% of its contributed capital and is therefore subject to the provisions on loss of capital under the Danish Companies Act. It is Management's expectation that the capital can be restored over operations going forward.

16 Provisions

DKK'000	Warranties	Other provisions	Total
Cost at 1 January 2019	0	500	500
Amounts recognised in the income statement for the year	5,000	-255	4,745
Cost at 31 December 2019	5,000	245	5,245

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17 Non-current liabilities other than provisions

DKK'000	31/12 2019	31/12 2018	Outstanding debt after five years
Loan payable to banks	181,500	166,000	0
Loan payable to third parties	42,316	47,400	0
	223,816	213,400	0

18 Other payables

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

DKK'000	2019	2018
19 Other adjustments		
Financial income	-81	-9
Financial expenses	15,668	9,034
Depreciation, amortisation and impairment losses, including losses and gains on sales	27,739	20,597
Provisions	4,745	-12,477
Tax on profit/loss for the year	-23,532	-3,692
Other adjustments	-97	16
	24,442	13,469
20 Change in working capital		
Inventories before provisions	-134,048	-117,926
Inventory provisions	-9,217	12,214
Receivables	-40,033	-27,514
Payables	114,879	71,789
	-68,419	-61,437
21 Fees to auditor appointed at the general meeting		
Statutory audit	866	560
Other services	132	0
	998	560

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22 Mortgages and collateral

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

Business mortgage of DKK 181.5 million with first priority in Inventory and trade accounts receivable arising from the sale of goods or services and property, plant and equipment has been placed of DKK 42.1 million as collateral for the Company's credit facility.

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

Business mortgage of DKK 42.3 million with second priority in Inventory of DKK 350 million has been placed as collateral for the Company's credit facility.

Rent guarantee:

The Company has rent guarantees of DKK 11.6 million, which are stated as normal rent guarantees.

Supplier guarantee:

The Company has supplier guarantees of DKK 6.8 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

DKK'000	2019	2018
Future minimum lease payments on property operating leases		
Within 1 year	111,135	107,153
Between 1 and 5 years	320,856	333,426
After 5 years	239,241	297,842
	671,232	738,421
Future minimum lease payments on other operating leases		
Within 1 year	20,285	12,018
Between 1 and 5 years	6,207	7,094
	26,492	19,112

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DKK'000	2019	2018
Total operating lease commitments		
Total operating lease commitments	697,725	757,533

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 & Co. KGaA, Ludwig-Ganghofer-Straße 6, 82031 Grünwald, Germany, which is the smallest and largest group in which the Company is included as a subsidiary.

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

Related party transactions

DKK'000	2019	2018
Fee to Parent Company	6,271	6,260

Remuneration of the Executive Board is disclosed in note 4.

Payables to group entities are disclosed in the balance sheet.