

Silvan A/S


Edwin Rahrs Vej 88
DK-8220 Brabrand

CVR no. 38 84 12 97

Annual report 2022

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

31 March 2023


Jan-Christian Becker
Chairman of the annual general meeting

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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 2022.

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 2022 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2022.

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

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

Aarhus, 31 March 2023
Executive Board:

Klaus Asbjørn Dolmer
CEO

Rasmus Kjærgaard

Keld Larsen

Michael Lange

Board of Directors:

Jan-Christian Becker
Chairman

Klaus Asbjørn Dolmer

Ekhard Depken

Independent auditor's report

To the shareholders of Silvan A/S

Opinion

We have audited the financial statements of Silvan A/S for the financial year 1 January – 31 December 2022 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 2022 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Aarhus, 31 March 2023

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

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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

Jan-Christian Becker, Chairman
Klaus Asbjørn Dolmer
Ekhard Depken

Executive Board

Klaus Asbjørn Dolmer, CEO
Rasmus Kjærgaard
Keld Larsen
Michael Lange

Auditor

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

Management's review

Financial highlights

	2022	2021	2020	2019	2018
DKK'000					
Income statement					
Revenue	1,327,494	1,241,751	1,392,781	1,487,181	1,604,016
Gross profit	557,824	520,655	548,391	503,458	589,559
EBITDA	92,499	97,090	83,278	-67,200	12,858
EBIT	67,239	72,544	58,446	-94,874	-7,585
EBT	63,774	66,589	39,825	-110,461	-16,610
Profit/loss for the year	49,540	51,473	30,957	-86,929	-12,918
Balance sheet					
Inventories	356,595	284,091	272,393	350,133	493,298
Cash at bank and in hand	27,903	51,064	156,577	64,132	52,761
Total assets	664,764	506,162	556,230	581,858	748,971
Investments in property, plant and equipment	60,203	36,344	15,378	11,590	49,968
Equity	124,117	74,577	23,105	-7,852	79,076
Cash flows from operating activities	16,649	100,529	208,320	-7,340	-68,511
Cash flows from investing activities	-60,264	-36,042	-14,375	-11,789	-50,210
Cash flows from financing activities	20,454	-170,000	-101,500	30,500	66,000
Total cash flows	-23,161	-105,513	92,445	11,371	-52,721
Reported financials – key ratios					
Gross margin	42.0%	41.9%	39.4%	33.9%	36.8%
EBITDA margin	7.0%	7.8%	6.0%	-4.5%	0.8%
Return on invested capital	10.1%	14.3%	10.5%	-16.3%	-1.0%
Current ratio	126.9%	98.8%	89.6%	136.2%	102.9%
Solvency ratio	18.6%	14.7%	4.2%	-1.2%	10.6%
Adjusted financials – key ratios¹					
Adjusted gross profit	557,824	524,415	551,475	540,380	557,882
Adjusted EBITDA	91,024	115,993	96,030	-3,820	-32,553
Adjusted EBITDA change	-24,969	19,963	99,850	28,733	-
Adjusted gross margin	42.0%	42.2%	39.6%	36.3%	34.8%
Adjusted EBITDA margin	6.0%	9.3%	6.9%	-0.3%	-2.0%
Average number of full-time employees					
	624	597	639	795	849

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

Management's review

Financial highlights

The financial ratios have been calculated as follows:

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

Management's review

Operating review

Principal activities

Silvan is a leading Danish Do-It-Yourself ("DIY") retailer and operates 43 stores and an online shop. The stores are primarily located in larger cities, and the target is to be the most convenient destination for everyday DIY products in Denmark. The focus is to make home improvement more accessible, customer-centric and to offer an exciting shopping experience.

Financial development in 2022

In 2022, Silvan continued the strong performance from 2020 and 2021. The overall focus has been on continuously improving the business in line with the developed and agreed corporate strategy. The key financial figures for 2022 are:

- Reported EBITDA of DKK 92 million
- Adjusted EBITDA of DKK 91 million
- Profit for the year of DKK 50 million.

In 2022, revenue increased by 7% compared to 2021:

- In all months of 2022, Silvan's revenue was up on the Danish DIY index. This development shows that Silvan's strategy is working, and customers acknowledge the positive development for Silvan.
- Sales in January and February 2022 were much higher than in 2021 due to the full lockdown in Denmark during this period in 2021 when also the DIY industry was not allowed to keep physical stores open for B2C sales. Sales during this period were therefore only possible to customers either via Click & Collect or direct delivery.
- Since March, effects from the Russian/Ukrainian conflict, ongoing supply chain challenges as well as continuously high inflation have influenced customer behaviour. During this period, Silvan managed, on average, to almost maintain revenue levels of 2021.

Comparing to the original budget for 2022 sales have been 5% lower, due to the effects on customer behavior from the Russian/Ukraine conflict, ongoing supply chain challenges as well as the continuous high inflation. The profit for the year was 10m DKK lower than originally budgeted for 2022.

For 2023, revenue is expected to increase above the level in 2022, which is mainly due the following factors:

- Opening of new stores
- Positive development in sales in refurbished stores
- Growth of e-commerce sales.

The Forecast for 2023 forecasts improvements both on revenue, net income and EBITDA compared to 2022. The Forecast for 2023 forecasts revenue to increase to a level of 1,350m DKK to 1,400m DKK and profit for the year to reach a level of 50-60m DKK.

Management's review

Operating review

Unusual circumstances

Inflation and high energy prices have had an impact on the financial reporting

The 2022 financial figures are influenced by high inflation rates and increased energy prices. Key effects in the financial reporting are:

- Higher inventory levels due to higher cost prices
- Higher external costs due to increased energy prices.

Financial instruments

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

1. Operating risks

Market competition is high, and the market has a relatively high price transparency. The DIY market was slightly on the decrease in Denmark in 2022 (minus 1.2%). For 2023, the Management of Silvan expects that the market will grow again. Silvan keeps close track of market demands 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 competitive advantage. Silvan is convinced that the strong concept and the very strong brand recognition of Silvan offer a solid basis for the coming years.

2. Liquidity

Silvan has confirmed undrawn credit facilities as of 31 December 2022 of DKK 55 million. Including cash at bank and in hand of 31 December 2022 of DKK 28 million, total available liquidity at the end of 2022 was DKK 83 million, which is sufficient for running the business throughout 2023.

The Company's risk exposure

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

Management's review

Operating review

Corporate social responsibility

Silvan is a leading Danish Do-It-Yourself ("DIY") retailer and operates 43 stores and one online shop. The stores are primarily located in major cities, and the target is to be the most convenient destination for everyday DIY products in Denmark. The focus is to make home improvement more accessible, customer-centric and to 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.

Silvan's policies sets out to:

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

Along with many other activities, the journey continued during 2022 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. However, Silvan makes substantial efforts to ensure that its suppliers have also implemented anti-corruption measures.

In 2020, Silvan reviewed and improved 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 adhere to. The implementation of the new contractual framework including the Code of Conduct has been implemented in all new contracts with suppliers since the beginning of 2021.

For 2022, there were no registered breaches of Silvan's policy, and all suppliers were in compliance with Silvan's policies. One of the main risks for the business is that the suppliers are not in compliance with Silvan's policies, which is managed through a strict supplier evaluation process and very clear contractual framework, including the Code of Conduct.

Silvan will continue to review the Code of Conduct on an ongoing basis and implement it in all new contracts with suppliers in 2023.

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

Social and staff members

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 its employees.

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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 also one of the key risks to the business, where Silvan tries to optimise its working environment and respond to employees' expectations.

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

Silvan believes that our efforts throughout 2022 have contributed to the good working environment which our employees currently appreciate. The Management of Silvan has implemented a very transparent and open culture at Silvan. As an example, employees are frequently informed about the financial situation, key projects, etc. through virtual townhall meetings and management updates.

Human rights

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

In 2020, Silvan reviewed and improved 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 adhere to. The implementation of the new contractual framework, including the Code of Conduct, has been implemented in all new contracts with suppliers since the beginning of 2021.

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Silvan will continue to review the Code of Conduct on an ongoing basis and implement it in all new contracts with suppliers in 2023.

Environmental matters

Silvan continuously reviews its environmental footprint and therefore in 2019 launched several projects to act more sustainable.

Amongst others, the following measures were implemented in 2020, 2021 and 2022:

- For more than DKK 8 million, all existing lighting in all stores were changed to LED, reducing energy consumption by approx. by 1.8 m kw/h per year.
- A revised marketing approach has been developed. Amongst others, Silvan substantially reduced the number of physically distributed leaflets in 2020 & 2021. Overall, the effect is a reasonable saving and a huge reduction in paper usage (approximately 134,000 km of paper per year).
- During the Black Friday weekends in 2020, 2021 as well as in 2022, a campaign together with "Plant et Træ" was run to plant more trees in Denmark. Silvan donated 5% of all revenue from the Black Friday weekends to "Plant et Træ" (approx. DKK 2.1 million in the aggregate for 2020, 2021 and 2022).
- 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 and barbecue coal).
- One-time-use plastic shopping bags have been replaced by both environmentally friendly paper bags as well multiple-use plastic bags produced from recycled plastic.

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- Silvan has heavy focus on its own label for sustainable products (“Skabt med omtanke”), which only qualifies products as sustainable which have undergone a very strict review process (e.g. certification of a recognised third party, free from harmful substances and good recyclability).
- Waste handling at all stores of Silvan has been reduced, and a new reduction and sorting programme has been developed.
- The food offering in the canteen has further been improved to include much more organic as well as vegetarian food. As a result hereof, the canteen received the “gold mark” with an organic share of more than 90%.
- Many elements of the new store concept that has been already implemented in nine stores are also geared for sustainability (including the almost complete replacement of plastic elements with wood or metal solutions, extensive shared service offerings (e.g. free trailer, e-cargo bike rental, etc.).
- Installations of charging stations for electric vehicles have been implemented in five Silvan stores as well as in the Silvan headquarters. Along with this, the complete electrification of the own vehicle fleet has been initiated.
- Several improvements have been made to the energy consumption of the stores, such as automated controls to lower heating at night and to switch off lights in rarely used areas.

For 2023 multiple measures are already in the planning stage to further focus on sustainability. For example, in addition to the expansion of the sustainable product range, Silvan is in ongoing discussions with its suppliers to enable more sustainable solutions for its product packaging.

Moreover, Silvan has planned to replace gas heating with more sustainable heating options in selected stores.

Installations of additional charging stations for electric vehicles are examined for selected parking spaces at Silvan stores.

Next to the implementation risk, another risk to achieve the CSR measures is the overall global supply chain turbulences caused by COVID-19 and the war in Ukraine. To closely monitor the process and to ensure that the measures are successfully implemented, Silvan has set up a project governance structure including monthly Steering Committee meetings with the participation of all members of the Executive Board.

Goals and policies for the underrepresented gender

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

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

Silvan’s target for the underrepresented gender in top management is 25% before the end of 2024. End of 2022, the target has still not been met for the Executive Board nor for the Board of Directors with only male representation. Only one change was made in 2022 to the Executive Board with an internal promotion to the position as CEO that has also been appointed to the Board of Directors.

As of date of signing, 1st and 2nd level management of Silvan had 32% (2021: 26%) female representation, and for 2nd level management alone Silvan had 40% (2021: 33%) female representation.

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

Management's review

Operating review

Reporting on data ethics

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

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

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

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

- Use of technologies

Silvan uses a variety of technologies when processing data.

- Data ethics principles

Silvan commits to the following data ethics principles:

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

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2022	2021
Revenue	2	1,327,494	1,241,751
Cost of sales		-783,500	-733,061
Other operating income		13,830	11,965
Gross profit		557,824	520,655
Staff costs	3	-249,467	-239,224
Other external costs		-215,883	-184,335
Other operating costs		25	-6
EBITDA		92,499	97,090
Depreciation, amortisation and impairment losses	4	-25,260	-24,546
EBIT		67,239	72,544
Financial income		4,617	392
Financial expenses		-8,082	-6,347
EBT		63,774	66,589
Tax for the year	5	-14,234	-15,116
Profit for the year	6	49,540	51,473

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2022	31/12 2021
ASSETS			
Fixed assets			
Intangible assets	7		
Goodwill		<u>6,058</u>	<u>7,356</u>
Property, plant and equipment	8		
Property, plant and equipment under construction		186	971
Plant and machinery		3,285	1,789
Fixtures and fittings, tools and equipment		82,198	47,666
Leasehold improvements		<u>16,266</u>	<u>15,586</u>
		<u>101,935</u>	<u>66,012</u>
Investments	9		
Deposits		<u>17,582</u>	<u>17,522</u>
Total fixed assets		<u>125,575</u>	<u>90,890</u>
Current assets			
Inventories			
Finished goods		<u>356,595</u>	<u>284,091</u>
Receivables			
Trade receivables		5,610	5,479
Receivables from group entities		129,480	40,367
Other receivables		4,648	5,838
Deferred tax asset	10	0	15,246
Prepayments	11	<u>14,953</u>	<u>13,187</u>
		<u>154,691</u>	<u>80,117</u>
Cash at bank and in hand		<u>27,903</u>	<u>51,064</u>
Total current assets		<u>539,189</u>	<u>415,272</u>
TOTAL ASSETS		<u><u>664,764</u></u>	<u><u>506,162</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2022	31/12 2021
EQUITY AND LIABILITIES			
Equity			
Contributed capital	12	1,000	1,000
Retained earnings		98,617	73,577
Proposed dividends for the financial year		24,500	0
Total equity		<u>124,117</u>	<u>74,577</u>
Provisions			
Provisions for warranties	13	900	800
Other provisions		170	320
Total provisions		<u>1,070</u>	<u>1,120</u>
Liabilities other than provisions			
Non-current liabilities other than provisions			
Loan payable to banks	14	115,096	10,000
Current liabilities other than provisions			
Prepayments received from customers		7,943	7,721
Trade payables		318,330	291,617
Payables to group entities		0	65
Deferred tax	10	762	0
Other payables	15	97,446	121,062
		<u>424,481</u>	<u>420,465</u>
Total liabilities other than provisions		<u>539,577</u>	<u>430,465</u>
TOTAL EQUITY AND LIABILITIES		<u><u>664,764</u></u>	<u><u>506,162</u></u>

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2022	1,000	73,577	0	74,577
Transferred over the profit appropriation	0	25,040	24,500	49,540
Equity at 31 December 2022	1,000	98,617	24,500	124,117

Financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	2022	2021
Profit/loss for the year		49,540	51,473
Other adjustments of non-cash operating items	16	44,107	45,541
Cash flows from operations before changes in working capital		93,647	97,014
Changes in working capital	17	-69,955	11,701
Cash flows from ordinary activities		23,692	108,715
Interest income		201	25
Interest expense		-7,244	-8,211
Cash flows from operating activities		16,649	100,529
Acquisition of property, plant and equipment		-60,203	-36,344
Fixed asset investments made, etc.		-61	302
Cash flows from investing activities		-60,264	-36,042
Proceeds from loans from credit institutions		105,000	-130,000
Proceeds of loans to third parties		-84,546	-40,000
Cash flows from financing activities		20,454	-170,000
Cash flows for the year		-23,161	-105,513
Cash and cash equivalents at the beginning of the year		51,064	156,577
Cash and cash equivalents at year-end		27,903	51,064

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Silvan A/S for 2022 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 have been made to the comparative figures of prior years.

Foreign currency translation

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

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

Income statement

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms © 2020.

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

Cost of sales

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

Other operating income

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

Other external costs

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

Staff costs

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

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1 Accounting policies (continued)

Other operating costs

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

Financial income and expenses

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

Tax on profit for the year

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

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

Balance sheet

Intangible assets

Goodwill

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

Property, plant and equipment

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

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

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

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

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1 Accounting policies (continued)

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

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

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

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

Investments

Deposits are measured at fair value at year end.

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.

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

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1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

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

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

Corporation tax and deferred tax

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

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

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

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

Prepayments

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

Equity

Dividends

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

Provisions

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

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1 Accounting policies (continued)

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

Liabilities other than provisions

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

Other liabilities are measured at net realisable value.

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 short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

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1 Accounting policies (continued)

Segment information

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

2 Revenue

DKK'000	2022	2021
Geographical segments		
Revenue, Denmark	<u>1,327,494</u>	<u>1,241,751</u>

3 Staff costs

Wages and salaries	228,331	217,149
Pensions	15,947	15,182
Other social security costs	<u>5,189</u>	<u>6,893</u>
	<u>249,467</u>	<u>239,224</u>
Average number of full-time employees	<u>624</u>	<u>597</u>

In part of 2022 the CEO was employed by the Parent Company, and SILVAN paid a monthly fee in which remuneration of the CEO was covered. This part is included in the below remuneration of the Executive Board.

Staff costs include remuneration of the Executive Board of DKK 7,085 thousand (2021: DKK 8,953 thousand).

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

DKK'000	2022	2021
4 Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1,298	1,299
Depreciation of property, plant and equipment	<u>23,962</u>	<u>23,247</u>
	<u>25,260</u>	<u>24,546</u>
5 Tax on profit for the year		
Current tax for the year	0	0
Deferred tax for the year	<u>14,234</u>	<u>15,116</u>
	<u>14,234</u>	<u>15,116</u>

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6 Proposed profit appropriation

DKK'000	2022	2021
Proposed dividends for the year	24,500	0
Retained earnings	25,040	51,473
	<u>49,540</u>	<u>51,473</u>

7 Intangible assets

DKK'000	Goodwill
Cost at 1 January 2022	12,982
Cost at 31 December 2022	12,982
Amortisation and impairment losses at 1 January 2022	-5,626
Amortisation for the year	-1,298
Amortisation and impairment losses at 31 December 2022	-6,924
Carrying amount at 31 December 2022	<u>6,058</u>

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8 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 2022	971	1,815	52,133	21,633	76,552
Additions for the year	186	2,110	55,049	2,858	60,203
Disposals for the year	0	0	-1,208	0	-1,208
Transfers for the year	-971	0	971	0	0
Cost at 31 December 2022	186	3,925	106,945	24,491	135,547
Depreciation and impairment losses at 1 January 2022	0	-26	-4,467	-6,047	-10,540
Depreciation for the year	0	-614	-21,230	-2,178	-24,022
Reversed depreciation and impairment losses on assets sold	0	0	950	0	950
Depreciation and impairment losses at 31 December 2022	0	-640	-24,747	-8,225	-33,612
Carrying amount at 31 December 2022	186	3,285	82,198	16,266	101,935

9 Investments

DKK'000	Deposits
Cost at 1 January 2022	17,522
Additions for the year	60
Cost at 31 December 2022	17,582
Carrying amount at 31 December 2022	17,582

10 Deferred tax asset/liability

DKK'000	31/12 2022	31/12 2021
Deferred tax asset at 1 January	15,246	28,365
Adjustment deferred tax asset at 1 January	-1,774	1,997
Amounts recognised in the income statement for the year	-14,234	-15,116
	-762	15,246

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11 Prepayments

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

DKK'000	31/12 2022	31/12 2021
Other prepayments	14,953	13,187
	<u>14,953</u>	<u>13,187</u>

12 Equity

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

All shares rank equally.

13 Provisions

DKK'000	Warranties	Other provisions	Total
Cost at 1 January 2022	800	320	1,120
Amounts recognised in the income statement for the year	<u>100</u>	<u>-150</u>	<u>-50</u>
Cost at 31 December 2022	<u>900</u>	<u>170</u>	<u>1,070</u>

14 Non-current liabilities other than provisions

DKK'000	31/12 2022	31/12 2021	Outstanding debt after five years
Loan payable to banks	115,096	10,000	0
	<u>115,096</u>	<u>10,000</u>	<u>0</u>

15 Other payables

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

16 Other adjustments

DKK'000	2022	2021
Financial income	-4,617	-392
Financial expenses	8,082	6,347
Depreciation, amortisation and impairment losses, including losses and gains on sales	25,235	24,546
Provisions	-50	-75
Tax on profit for the year	14,234	15,116
Other adjustments	<u>1,223</u>	<u>-1</u>
	<u>44,107</u>	<u>45,541</u>

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DKK'000	2022	2021
17 Change in working capital		
Inventories before provisions	-75,555	-9,947
Inventory provisions	3,050	-1,751
Receivables	-707	-5,132
Payables	3,257	28,531
	<u>-69,955</u>	<u>11,701</u>
18 Fees to auditor appointed at the general meeting		
Statutory audit	639	630
Other services	153	98
	<u>792</u>	<u>728</u>
19 Mortgages and collateral		

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

Business mortgage of DKK 115 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 464.1 million has been provided as collateral for the Company's credit facility.

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20 Contractual obligations, contingencies, etc.

Contingent liabilities

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

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

Operating lease obligations

DKK'000	<u>31/12 2022</u>	<u>31/12 2021</u>
Future minimum lease payments on property operating leases		
Within 1 year	112,502	114,545
Between 1 and 5 years	431,401	308,933
After 5 years	<u>231,414</u>	<u>122,334</u>
	<u>775,317</u>	<u>545,812</u>
Future minimum lease payments on other operating leases		
Within 1 year	18,492	17,310
Between 1 and 5 years	<u>5,189</u>	<u>2,697</u>
	<u>23,681</u>	<u>20,007</u>
Total operating lease commitments		
Total operating lease commitments	<u>798,998</u>	<u>565,820</u>

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21 Related party disclosures

Silvan A/S' related parties comprise the following:

Control

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

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

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

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

Related party transactions

DKK'000	2022	2021
Fee to Parent Company	6,249	6,247
	6,249	6,247

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