



Tvilum A/S 2018

Egon Kristiansens Allé 2
8882 Fårvang
CVR No. 39323702

Annual report 2020

The Annual General Meeting adopted the
annual report on 25.02.2021

Birger Østergaard Christensen
Chairman of the General Meeting

Contents

Entity details	2
Statement by Management on the annual report	3
Independent auditor's report	4
Management commentary	7
Consolidated income statement for 2020	15
Consolidated balance sheet at 31.12.2020	16
Consolidated statement of changes in equity for 2020	18
Consolidated cash flow statement for 2020	19
Notes to consolidated financial statements	20
Parent income statement for 2020	26
Parent balance sheet at 31.12.2020	27
Parent statement of changes in equity for 2020	29
Notes to parent financial statements	30
Accounting policies	35

Entity details

Entity

Tvilum A/S 2018
Egon Kristiansens Allé 2
8882 Fårvang

Business Registration No.: 39323702
Registered office: Silkeborg
Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Asbjørn Berge
Peter Bager
Poul Kristiansen
Birger Østergaard Christensen
Torben Porsholdt

Executive Board

Torben Porsholdt

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Tvilum A/S 2018 for the financial year 01.01.2020 - 31.12.2020.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Fårvang, 25.02.2021

Executive Board

Torben Porsholdt

Board of Directors

Asbjørn Berge

Peter Bager

Poul Kristiansen

Birger Østergaard Christensen

Torben Porsholdt

Independent auditor's report

To the shareholders of Tvilum A/S 2018

Opinion

We have audited the consolidated financial statements and the parent financial statements of Tvilum A/S 2018 for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 applicable in

Denmark will always detect a material misstatement when it exists. Misstatements can 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 taken on the basis of these consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Aarhus, 25.02.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Lars Andersen

State Authorised Public Accountant
Identification No (MNE) mne34506

Management commentary

Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures			
Revenue	1,308,757	1,073,891	756,809
Gross profit/loss	268,621	225,558	213,183
Operating profit/loss	106,492	75,802	91,759
Net financials	(14,850)	(11,041)	(14,369)
Profit/loss for the year	71,249	50,055	59,197
Balance sheet total	501,178	459,537	363,645
Investments in property, plant and equipment	16,545	48,067	51,559
Equity	188,178	119,199	69,216
Cash flows from operating activities	101,505	(15,304)	(75,080)
Cash flows from investing activities	(13,873)	(9,518)	(74,124)
Cash flows from financing activities	(41,476)	(21,551)	92,415
Average number of employees	745	647	523
Ratios			
Gross margin (%)	20.52	21.00	28.17
Net margin (%)	5.44	4.66	7.82
Return on equity (%)	46.75	53.13	171.05
Equity ratio (%)	37.55	25.94	19.03
Revenue per employee	17,567	16,598	14,471
Solvency ratio including subordinate loan capital (%)	43,8	42,1	36,5

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Balance sheet total}}$

Revenue per employee:

$\frac{\text{Revenue}}{\text{Average number of employees}}$

Solvency ratio including subordinates loan capital (%):

$\frac{\text{Equity incl. subordinate loan capital} * 100}{\text{Total assets}}$

Primary activities

The Company's primary activity is development, production and sales of furniture based on chipboards covered with foil, melamine or painted. All furniture is sold as flat-packed ready to assemble furniture (RTA). The furniture is sold in Europe, North and South America, Asia and Middle East as the most important markets.

Development in activities and finances

The financial statements cover the period from 1 January to 31 December 2020.

2020 has been a turbulent year for Tvilum due to Covid-19. At the lockdown in March 2020, when virtually all markets were closed down, it was decided to close down almost all activities, and practically all employees were sent home on wage compensation.

However, the situation improved relatively quickly, with a sharp increase in demand, partly driven by accumulated customer demand during the lockdown, and partly by increasing focus on the home and the home as a workplace, in the light of continued travel restrictions. As demand rose to an even higher level than before the crisis, it was decided to increase capacity accordingly, so there are now significantly more employees at Tvilum than at the beginning of the year.

Thus, despite the lockdown in the spring, revenue was higher than budgeted for 2020.

The large challenges were tackled at the same time as focusing on continuous improvement of the company's performance across the entire value chain. This has been done on the basis of the great work carried out across the organisation since the restoration of Tvilum on 12 February 2018, which has ensured a solid and major foothold in all our key markets.

The positive market development despite the pandemic has resulted in continued minimum sensitivity to development in individual markets, which is a hallmark of Tvilum compared to its competitors. This has proved to be a major advantage through 2020.

On the production and purchasing side, we have faced a number of challenges in raw materials deliveries as many of the suppliers have suffered from lockdowns due to outbreak of the virus, and several suppliers have also seen strong fluctuations in demand, which has also resulted in technical challenges for some suppliers. Despite this, Tvilum has managed to deal with the large fluctuations in demand without significant inconvenience to its customers and the increasing demand.

On the product side, Tvilum has established an attractive product range, which has been further developed through 2020, and as a result of the continued efforts to obtain productivity gains, the strong growth in sales, especially in H2, has confirmed Tvilum's business model, also in relation to profitability.

Due to the strong focus on managing the core business through a 2020 highly marked by the pandemic, certain strategic activities have been put on the back burner. This has only been possible since, in the period from the restoration of Tvilum in February 2018 through 2019, it has been possible to stabilise and consolidate the business. In the last part of 2020, key strategic areas, e.g. in connection with the establishment of additional productivity gains, are resumed, which is expected to drive further growth in profitability.

Income statement

Despite the strong impact of the Corona crisis on economy in general, Tvilum's financial performance has seen a positive development, both compared to 2019 and the 2020 budget. At the lockdown in the spring, sales to

almost all markets were negatively affected, but a relatively rapid return to normal was seen, actually to an even higher sales level than before the crisis.

During the period when Tvilum was hit by the lockdown, Tvilum made use of the wage compensation scheme for employees who had been sent home. The scheme has covered wage and salary costs totalling DKK 15.04m, which has been set off against staff costs to show the actual financial performance.

In outline, the financial performance is shown as follows:

DKKm	2020	Budget 2020	2019*	2018*
Revenue	1,308.8	1,269.2	1,073.9	756.8
EBITDA	116.7	86.4	82.4	95.4
Badwill*	-	-	24.0	108.0
EBITDA excl. badwill	116.7	86.4	58.4	-12.6
EBITDA%	8.9%	6.8%	5.4%	-1.7%

**2018 is the period from 12 February to 31 December. Badwill is the accounting adjustment (=income) of net assets from the bankruptcy estate relative to the market value. This is taken to income in accordance with the Danish Financial Statements Act. In 2018, the amount includes the adjustment of the Danish company, while the figure for 2019 relates to the Polish subsidiary, since this is not included as a group enterprise for accounting purposes until 1 July 2019. Badwill is included under Other operating income, cf. specification in Note 2, which shows that the total badwill amount of DKK 28.9m includes DKK 4.9m as profit for H1 of the Polish company, which in fact reflects the operating profit in this period and which is thus only grouped under badwill for technical and legal reasons.*

As shown above, the increase from 2019 continued into 2020, both in terms of revenue and earnings, and compared to budget, significantly higher earnings are also seen, based on slightly higher revenue.

Thus, Management considers the financial performance for 2020 satisfactory.

The Board of Directors recommends that no dividend be paid for 2020.

Balance sheet

The Group's balance sheet amounts to DKK 501.1m. The business is financed by cash from operations, subordinate loan capital of DKK 31.5m, bank facilities of up to DKK 165m and loan capital of DKK 25.5m.

Including subordinated loan capital, the Company's solvency ratio stands at 43.8% in 2020 compared to 42.1% at the end of 2019. It should be noted that part of the subordinate loan has been repaid as this amounted to DKK 74.2m at the end of 2019.

Cash flow statement

In 2020, the Company generated cash flows from operating activities of DKK 101.5m. Cash flows from investing activities amount to DKK -13.9m. Cash flows from financing activities amount to DKK -41.5m.

Total cash and cash equivalents for 2020 account for an addition of a total of DKK 46.2m.

Outlook

Management expects that the positive development in 2020 will continue in 2021. The expectation is based on a continued high level of activity, an increase in productivity and a positive development from both product and market mix. At EBITDA level, the positive development is expected to continue.

Particular risks

Supply risks

The Company has broadened its supplier base and works actively to implement a strategy on buying the same product from multiple suppliers in order to minimise risk from single suppliers.

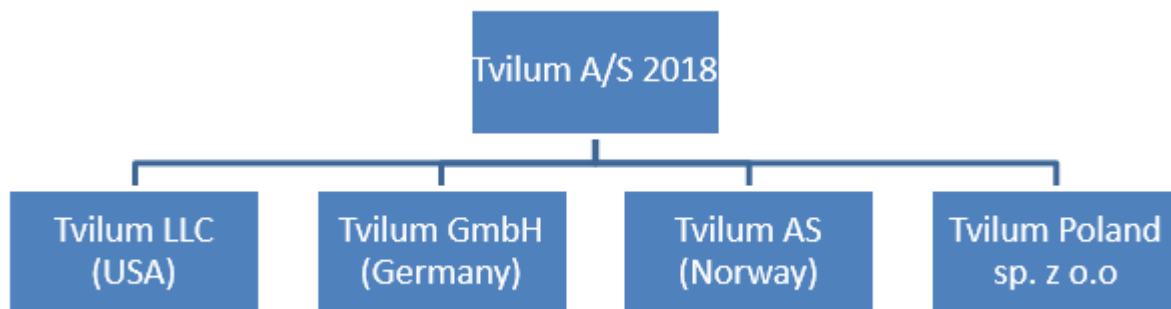
Currency risks

The majority of trade is settled in EUR and DKK. EUR is used for payments of Danish and foreign suppliers where payment in these currencies has been agreed. In addition, USD is used to settle trade in USA. The effect of Brexit on currency is considered immaterial at group level.

Credit risks

No single customer represents a significant risk to the Company. Receivables are, however, closely monitored, and credit risks and credit insurance are assessed on an individual basis. The majority of the Company's customers are credit insured fully or partially.

Group relations



Statutory report on corporate social responsibility

Tvilum is among Europe's leading suppliers of practical and environmentally friendly furniture, designed for people's homes and for semi-professional use. Tvilum is a Danish company that produces furniture under maximum consideration to people and nature. Tvilum supplies ready-to-assemble furniture to large and medium-sized retailers around the world. The products are primarily made from chipboard purchased from European suppliers. Fittings are primarily purchased from Southeast Asia under Tvilum's strict CSR guidelines.

Our support

Tvilum supports the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption.

With this communication, we express our intent to advance those principles within our sphere of influence. We are committed to making the Global Compact and its principles part of the overall strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, previously the Millennium Development Goals and in the future the Sustainable Development Goals. Tvilum will make a clear statement of this commitment to our stakeholders and the general public. We support public accountability and transparency, and we therefore commit to report our

progress annually according to the Global Compact COP policy.

Policy

Our policy is to conduct all business activities in a responsible manner which ensures the health, safety and wellbeing of people, preservation of the environment and quality of product and services. Our ethical business practices are an integral part of our corporate culture.

Statutory report on the underrepresented gender

The Company is working on complying with the provisions of the law for the underrepresented gender in the supreme management body and on other management levels.

The Board of Directors, which is elected on the General Meeting, consists of 5 men.

The Board consists of the owners as well as 2 external elected professionals. The target for the Company is to fill seats on the Board with persons that possess the best qualifications for the performance of the Board work. There has been no election for the Board in 2020, and it is still the intention to have 20% mixed gender representation on the Board by 2025.

The management of the Company consists of both men and women. At the end of 2020, 29% or 2 out of 7 of the senior management team were women. The policy of the Company encourages women to apply for vacant positions in the Company, and the Company calls upon recruitment agencies to present mixed gender candidates for open positions. We will continue this approach in 2021.

The Company also guarantees equal rights and conditions during employment. In addition to this, the staff is ensured good conditions regarding maternity leave, flexible working hours and the possibility to work from home.

The gender composition on management positions is a positive mix of women and men.

Human rights

The Company strives to ensure that all suppliers are compliant with the obligation they received and signed for, when becoming suppliers to Tvilum. As the Company considers the largest risk for breaches to human rights to be within the supply chain, the importance of the Code of Conduct is continuously stressed in dialogues with suppliers in general.

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;

Principle 2: Make sure that suppliers are not complicit in human rights abuses.

The Code of Conduct lays down the minimum requirements for both own as well as suppliers' behavior. Tvilum Code of Conduct is based on the eight core conventions defined in the Fundamental Principles of Rights at Work, ILO declaration June 1998, the Rio Declaration on Sustainable Development 1992, The UN Johannesburg Summit on Sustainable Development and the Ten Principles of the UN Global Compact 2000. Tvilum recognises the fundamental principles of Human Rights, as defined by the "Universal Declaration of Human Rights" (United Nations 1948) and adheres to UN decisions regarding trade boycotts and embargoes. During 2020, another two suppliers have signed the Tvilum Code of Conduct, which now includes a total of 57 suppliers. Going forward in 2021, we will continue to require collaboration with new suppliers that they sign Tvilum's Code of Conduct.

Labour

We believe that workplace safety and employment discrimination present the main areas of labor-related risk that we need to manage in our own operations. These are therefore the two areas where we pay most attention through our safety measures, personnel policies and close dialogue between management and employees.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

Tvilum has two manufacturing sites in Denmark. The average number of employees during the year was 591 (converted into full-time employees). At the time of writing this report, the youngest employee is 19 years old, and the oldest is 74 years old. The distribution of employees includes several nationalities of which 29.5% are women. 26.33% of the employees are white collar.

The Company endorses free choice of labour unions and dialogue with employee representatives to ensure a good respectful working environment. Moreover, employee safety is addressed at board level monthly as well as in the management teams within the Company, to ensure a safe working environment. Management believes that the efforts in 2020 have helped maintain a high level of safety and well-being in Tvilum. This effort will be maintained in 2021.

The personnel policy and the employees' handbook were updated in 2018, ensuring a renewed focus on the topics therein amongst the employees. Both publications inform employees of their rights and possibilities, including but not limited to, equal opportunities, equal treatment and senior policy. The Company enforces business behavior at all levels to be compliant with the foundation laid out in the employee handbook and personnel policies, to ensure that equal opportunities and rights are secured for the staff, whatever gender, colour, religion or race.

An ongoing procedure evaluates the status on equal pay. Every year statistics of the pay level are presented to local union representatives and filed with the Danish employee association. When hiring new employees abroad, the approach was changed in 2018. Now instead of relying solely on a standard Tvilum contract, a local lawyer is consulted in order to make sure the contract lives fully up to local legal requirements, making sure no employee is offered worse conditions than what is standard in the country concerned.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Take steps to promote greater environmental responsibility;

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

At Tvilum we use energy to turn wood into furniture. Both resources are critical for a sustainable environment.

Wood is a recyclable, biodegradable and renewable material and thus an environment friendly product - provided it comes from sustainable forests. The Company is a member of PEFC and FSC. We consider them the major certification sources for sustainable forests. Our major supplier of chipboards during 2020 utilises recycled wood for the production of new boards. Therefore, the chipboards received from there in 2020 contained an average of more than 80% recycled material.

The excess chipboard from production is naturally utilised as well – what isn't applied for energy utilisation on site, is recycled at aforementioned supplier. The Company strives to be able to send as much waste as possible to recycling. Through a long-term effort, the percentage of waste not recycled in 2020 was below 0.5%.

Reducing energy consumption is and has been an ongoing project. During 2020, the effort resulted in further 6.5% reductions of the energy consumption compared with production hours and total produced single items compared to 2019. The savings shall be seen as a result of production efficiency increase, involvement and focus on behavior of employees, and specific projects dealing with air-compressor system, dust extraction, forklifts and lights.

In the efforts in becoming more energy efficient Tvilum holds an energy management system, which is certified according to ISO 50001. In 2020, an energy saving of 10.5% (kWh/pcs.) was obtained compared to 2019. According to the energy management review for 2020, the energy saving target for 2021 is a reduction of 3%.

The use of chemicals has undergone a continuous development towards less hazardous chemicals.

The Company considers the key environmental risk to be of external nature. Hence the Company is continuously monitoring, to the best of its abilities, changes in the external environment, from suppliers and business partners, to identify necessary mitigations.

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. The Company has a policy for "anti-bribery, anti-corruption" which has been implemented, and relevant decision makers have been trained as part of this

Sourcing is the overall activity where corruption is a recurring risk. Sourcing of wood has been a focal point for the Company. The threat of buying illegal harvested wood is ongoing, and the harvesting of illegal wood is an increasing problem for local societies and the environment in general. Material is often traded through many companies in the supply chain, crossing borders and regions while losing origin information. The Company has fully implemented the EU Timber Regulation (EUTR), ensuring our wood material comes from legal sources. The risk of illegally logged wood and lack of traceable evidence has resulted in avoiding some sources. Wood is the number one material we use. Our preferred sources of wood materials are from PEFC- or FSC-certified sources, and this will continue to be the case in 2021.

The Company believes this to be the safest mean to avoid controversial material, hence the Company has managed to change the majority of our supplies into coming from certified forests. Today, all of the assortment volume is either purchased under EUTR or FSC-certified.

Events after the balance sheet date

The Company has assessed events until the financial reporting and determined that no subsequent events have occurred which would influence the evaluation of the annual report.

Consolidated income statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Revenue	1	1,308,757	1,073,891
Other operating income	2	205	29,115
Cost of sales	3	(927,498)	(778,537)
Other external expenses	4	(112,843)	(98,911)
Gross profit/loss		268,621	225,558
Staff costs	5	(151,902)	(143,193)
Depreciation, amortisation and impairment losses	6	(10,227)	(6,563)
Operating profit/loss		106,492	75,802
Other financial income	7	3,880	4,400
Financial expenses from group enterprises		(2,038)	(1,062)
Other financial expenses	8	(16,692)	(14,379)
Profit/loss before tax		91,642	64,761
Tax on profit/loss for the year	9	(20,393)	(14,706)
Profit/loss for the year	10	71,249	50,055

Consolidated balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Land and buildings		30,430	32,061
Plant and machinery		39,685	42,214
Other fixtures and fittings, tools and equipment		15,711	11,056
Property, plant and equipment in progress		7,189	4,042
Property, plant and equipment	11	93,015	89,373
Deposits		483	467
Fixed asset investments	12	483	467
Fixed assets		93,498	89,840
Raw materials and consumables		76,955	48,575
Work in progress		22,376	24,982
Manufactured goods and goods for resale		146,680	137,904
Prepayments for goods		4,363	7,404
Inventories		250,374	218,865
Trade receivables		139,163	124,428
Other receivables		9,035	12,860
Prepayments	13	1,939	2,566
Receivables		150,137	139,854
Cash		7,169	10,978
Current assets		407,680	369,697
Assets		501,178	459,537

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital		10,000	10,000
Retained earnings		178,178	109,199
Equity		188,178	119,199
Deferred tax	14	4,978	2,804
Other provisions	15	3,205	11,431
Provisions		8,183	14,235
Subordinate loan capital		31,465	74,206
Bank loans		21,440	24,307
Lease liabilities		10,848	7,639
Other payables	16	22,080	7,826
Non-current liabilities other than provisions	17	85,833	113,978
Current portion of non-current liabilities other than provisions	17	5,080	4,157
Bank loans		64,175	114,140
Trade payables		60,605	36,733
Tax payable		620	7,124
Joint taxation contribution payable		16,088	6,280
Other payables		72,416	43,691
Current liabilities other than provisions		218,984	212,125
Liabilities other than provisions		304,817	326,103
Equity and liabilities		501,178	459,537
Unrecognised rental and lease commitments	19		
Assets charged and collateral	20		
Transactions with related parties	21		
Group relations	22		
Subsidiaries	23		

Consolidated statement of changes in equity for 2020

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	10,000	109,199	119,199
Exchange rate adjustments	0	(2,270)	(2,270)
Profit/loss for the year	0	71,249	71,249
Equity end of year	10,000	178,178	188,178

Consolidated cash flow statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Operating profit/loss		106,492	75,802
Amortisation, depreciation and impairment losses		10,211	6,563
Working capital changes	18	14,563	(69,937)
Cash flow from ordinary operating activities		131,266	12,428
Financial income received		3,880	4,400
Financial expenses paid		(18,730)	(15,441)
Taxes refunded/(paid)		(14,911)	(16,691)
Cash flows from operating activities		101,505	(15,304)
Acquisition etc. of property, plant and equipment		(13,869)	(8,941)
Sale of property, plant and equipment		16	87
Acquisition of fixed asset investments		(282)	(252)
Sale of fixed asset investments		262	2,349
Acquisition of activities		0	(2,761)
Cash flows from investing activities		(13,873)	(9,518)
Free cash flows generated from operations and investments before financing		87,632	(24,822)
Loans raised		6,180	40,711
Repayments of loans etc.		(47,656)	(62,262)
Cash flows from financing activities		(41,476)	(21,551)
Increase/decrease in cash and cash equivalents		46,156	(46,373)
Cash and cash equivalents beginning of year		(103,162)	(56,789)
Cash and cash equivalents end of year		(57,006)	(103,162)
Cash and cash equivalents at year-end are composed of:			
Cash		7,169	10,978
Short-term bank loans		(64,175)	(114,140)
Cash and cash equivalents end of year		(57,006)	(103,162)

Notes to consolidated financial statements

1 Revenue

	2020	2019
	DKK'000	DKK'000
Revenue, Denmark	69,772	50,376
Revenue Europe	814,572	697,143
Revenue, rest of the world	424,413	326,372
Total revenue by geographical market	1,308,757	1,073,891

No segment information is provided as the groups activities are regarded as one segment.

2 Other operating income

	2020	2019
	DKK'000	DKK'000
Badwill	0	28,900
Legal costs relating to acquisition	0	(1,346)
Other operating income	205	1,561
	205	29,115

The Group has in 2019 acquired assets and liabilities from the former Tvilum Poland Sp. Z. o.o. where the above negative goodwill has been observed. Negative goodwill is calculated on the basis of Management's assessment of the fair value of assets and liability acquired with deduction of cost of the assets and liabilities acquired. During the process related to the acquisition of assets and liabilities, Tvilum A/S 2018 has borne the operating responsibility for the Polish activities and the related legal obligations throughout 2019, but due to the local legal procedures, it was not possible to settle this until 1 July 2019. Therefore, the financial performance of the Polish company in the period 1 January to 30 June 2019 in 2019 is recognised under Other operating income although it actually relates to ordinary operations. This has an EBITDA effect of DKK 4.9m (profit).

3 Cost of sales

Cost of sales includes DKK 115.373k relating to production wages.

4 Fees to the auditor appointed by the Annual General Meeting

	2020	2019
	DKK'000	DKK'000
Statutory audit services	368	325
Tax services	108	137
Other services	351	604
	827	1,066

5 Staff costs

	2020	2019
	DKK'000	DKK'000
Wages and salaries	240,081	214,834
Pension costs	17,888	16,026
Other social security costs	9,174	7,675
Other staff costs	132	251
	267,275	238,786
Staff costs classified as assets	(115,373)	(95,593)
	151,902	143,193
Average number of full-time employees	745	647

	Remuneration of manage- ment 2020	Remuneration of manage- ment 2019
	DKK'000	DKK'000
Total amount for management categories	3,121	2,258
	3,121	2,258

Referring to S. 98b(3) of the Danish Financial Statements Act, Management remuneration has been aggregated for all management categories.

Staff costs includes received compensation relating to wages as a results of the outbreak and spread of Covid-19 in 2020 totalling DKK 14.993k.

6 Depreciation, amortisation and impairment losses

	2020	2019
	DKK'000	DKK'000
Depreciation on property, plant and equipment	10,227	6,563
	10,227	6,563

7 Other financial income

	2020	2019
	DKK'000	DKK'000
Other interest income	1	1,403
Exchange rate adjustments	3,879	2,997
	3,880	4,400

8 Other financial expenses

	2020 DKK'000	2019 DKK'000
Other interest expenses	284	0
Exchange rate adjustments	11,893	4,769
Other financial expenses	4,515	9,610
	16,692	14,379

9 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Current tax	17,806	13,782
Change in deferred tax	2,357	1,087
Adjustment concerning previous years	230	(163)
	20,393	14,706

10 Proposed distribution of profit/loss

	2020 DKK'000	2019 DKK'000
Retained earnings	71,249	50,055
	71,249	50,055

11 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	34,746	47,206	13,545	4,042
Exchange rate adjustments	(330)	(2,377)	(129)	0
Additions	450	5,178	7,770	3,147
Cost end of year	34,866	50,007	21,186	7,189
Depreciation and impairment losses beginning of year	(2,685)	(4,992)	(2,489)	0
Exchange rate adjustments	16	127	17	0
Depreciation for the year	(1,767)	(5,457)	(3,003)	0
Depreciation and impairment losses end of year	(4,436)	(10,322)	(5,475)	0
Carrying amount end of year	30,430	39,685	15,711	7,189
Recognised assets not owned by Entity	0	0	12,661	0

12 Fixed asset investments

	Deposits DKK'000
Cost beginning of year	467
Exchange rate adjustments	(4)
Additions	282
Disposals	(262)
Cost end of year	483
Carrying amount end of year	483

13 Prepayments

Prepayments include prepaid costs relating to the Groups operations.

14 Deferred tax

	2020 DKK'000	2019 DKK'000
Property, plant and equipment	3,508	2,728
Inventories	5,043	4,547
Provisions	(2,868)	(2,515)
Liabilities other than provisions	(705)	(1,956)
Deferred tax	4,978	2,804

	2020 DKK'000	2019 DKK'000
Changes during the year		
Beginning of year	2,804	1,717
Recognised in the income statement	2,174	1,087
End of year	4,978	2,804

15 Other provisions

Other provisions include the groups assessed liabilities related to complaints etc., based on historical experience

16 Other payables

	2020 DKK'000	2019 DKK'000
Holiday pay obligation	22,080	7,826
	22,080	7,826

17 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000	Due within 12 months 2019 DKK'000	Due after more than 12 months 2020 DKK'000	Outstanding after 5 years 2020 DKK'000
Subordinate loan capital	0	0	31,465	31,465
Bank loans	2,867	2,860	21,440	9,974
Lease liabilities	2,213	1,297	10,848	1,504
Other payables	0	0	22,080	22,080
	5,080	4,157	85,833	65,023

18 Changes in working capital

	2020 DKK'000	2019 DKK'000
Increase/decrease in inventories	(31,509)	(26,972)
Increase/decrease in receivables	(10,283)	17,271
Increase/decrease in trade payables etc.	58,626	(31,265)
Other changes	(2,271)	(28,971)
	14,563	(69,937)

19 Unrecognised rental and lease commitments

	2020 DKK'000	2019 DKK'000
Total liabilities under rental or lease agreements until maturity	27,633	3,119

Of the above liability at 31.12.2020, DKK 14.225k matures within 12 month.

20 Assets charged and collateral

Bank debt is secured by a deposited mortgage deed registered to the mortgagor of a nominal value of DKK 126,372k on land and buildings. The carrying amount of mortgaged properties amounts to DKK 26,449k.

Bank debt is secured on a floating charge of a nominal value of DKK 120,000k. The floating charge comprises unsecured claims from sale, operating fixtures, operating equipment and inventories. The carrying amount of assets charged at 31.12.2020 totals DKK 363,671k.

Certain plant and machinery, fixtures and fittings, etc are funded through finance leases. The carrying amount of assets held under finance leases totals DKK 12,661k.

The Group has provided payment guarantees to its suppliers totaling DKK 5,000k.

21 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

22 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Viking Trading ApS, Sejs Søvej 76, 8600 Silkeborg, Central Business Registration No: 14414096

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Viking Trading ApS, Sejs Søvej 76, 8600 Silkeborg, Central Business Registration No: 14414096

The Group is not included in any foreign consolidated financial statements.

23 Subsidiaries

	Registered in	Corporate form	Ownership %
Tvilum AS	Norway	AS	100
Tvilum LLC	USA	LLC	100
Tvilum GmbH	Germany	GmbH	100
Tvilum Poland Sp. Z o. o.	Poland	Sp. z o. o	100

Parent income statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Revenue	1	1,233,484	1,039,144
Other operating income		199	1,547
Cost of sales	2	(867,067)	(749,280)
Other external expenses		(138,671)	(124,125)
Gross profit/loss		227,945	167,286
Staff costs	3	(124,059)	(125,258)
Depreciation, amortisation and impairment losses	4	(6,109)	(4,311)
Operating profit/loss		97,777	37,717
Income from investments in group enterprises		6,565	25,559
Other financial income	5	3,879	4,399
Financial expenses from group enterprises		(1,019)	(1,062)
Other financial expenses	6	(17,480)	(9,444)
Profit/loss before tax		89,722	57,169
Tax on profit/loss for the year	7	(18,473)	(7,114)
Profit/loss for the year	8	71,249	50,055

Parent balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Land and buildings		26,449	27,551
Plant and machinery		12,834	9,871
Other fixtures and fittings, tools and equipment		13,284	9,721
Property, plant and equipment in progress		7,189	4,042
Property, plant and equipment	9	59,756	51,185
Investments in group enterprises		33,560	29,264
Deposits		165	427
Fixed asset investments	10	33,725	29,691
Fixed assets		93,481	80,876
Raw materials and consumables		69,432	42,917
Work in progress		20,139	19,332
Manufactured goods and goods for resale		132,387	123,221
Prepayments for goods		4,363	7,404
Inventories		226,321	192,874
Trade receivables		135,725	120,302
Receivables from group enterprises		31,648	42,982
Other receivables		9,035	7,348
Prepayments	11	1,873	2,492
Receivables		178,281	173,124
Cash		2,368	1,627
Current assets		406,970	367,625
Assets		500,451	448,501

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital		10,000	10,000
Reserve for net revaluation according to the equity method		31,019	26,723
Retained earnings		147,159	82,476
Equity		188,178	119,199
Deferred tax	12	4,908	2,551
Other provisions	13	3,205	11,431
Provisions		8,113	13,982
Subordinate loan capital		31,465	74,206
Bank loans		21,440	24,307
Lease liabilities		10,822	7,592
Other payables	14	22,080	7,826
Non-current liabilities other than provisions	15	85,807	113,931
Current portion of non-current liabilities other than provisions	15	5,080	4,157
Bank loans		64,175	114,140
Trade payables		56,648	35,479
Payables to group enterprises		155	488
Joint taxation contribution payable		16,088	6,280
Other payables		76,207	40,845
Current liabilities other than provisions		218,353	201,389
Liabilities other than provisions		304,160	315,320
Equity and liabilities		500,451	448,501
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Related parties with controlling interest	19		
Transactions with related parties	20		

Parent statement of changes in equity for 2020

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	10,000	26,723	82,476	119,199
Exchange rate adjustments	0	(2,270)	0	(2,270)
Profit/loss for the year	0	6,566	64,683	71,249
Equity end of year	10,000	31,019	147,159	188,178

Notes to parent financial statements

1 Revenue

	2020 DKK'000	2019 DKK'000
Revenue, Denmark	69,580	56,114
Revenue, Europe	740,657	736,631
Revenue, rest of the world	423,247	246,399
Total revenue by geographical market	1,233,484	1,039,144

No segment information is provided as the company's activities are regarded as one segment.

2 Cost of sales

Cost of sales includes DKK 115.373k relating to production wages.

3 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	216,009	199,268
Pension costs	17,482	15,673
Other social security costs	5,814	5,661
Other staff costs	127	249
	239,432	220,851
Staff costs classified as assets	(115,373)	(95,593)
	124,059	125,258
Average number of full-time employees	577	494

	Remuneration of management 2020 DKK'000	Remuneration of management 2019 DKK'000
Total amount for management categories	3,121	2,258
	3,121	2,258

Referring to S. 98b(3) of the Danish Financial Statements Act, Management remuneration has been aggregated for all management categories.

Staff costs includes received compensation relating to wages as a results of the outbreak and spread of Covid-19 in 2020 totalling DKK 14.993k.

4 Depreciation, amortisation and impairment losses

	2020	2019
	DKK'000	DKK'000
Depreciation on property, plant and equipment	6,109	4,311
	6,109	4,311

5 Other financial income

	2020	2019
	DKK'000	DKK'000
Other interest income	0	1,402
Exchange rate adjustments	3,879	2,997
	3,879	4,399

6 Other financial expenses

	2020	2019
	DKK'000	DKK'000
Other interest expenses	273	647
Exchange rate adjustments	11,761	0
Other financial expenses	5,446	8,797
	17,480	9,444

7 Tax on profit/loss for the year

	2020	2019
	DKK'000	DKK'000
Current tax	16,088	6,280
Change in deferred tax	2,357	834
Adjustment concerning previous years	28	0
	18,473	7,114

8 Proposed distribution of profit and loss

	2020	2019
	DKK'000	DKK'000
Retained earnings	71,249	50,055
	71,249	50,055

9 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	30,007	13,039	12,011	4,042
Additions	238	5,003	6,292	3,147
Cost end of year	30,245	18,042	18,303	7,189
Depreciation and impairment losses beginning of year	(2,456)	(3,168)	(2,290)	0
Depreciation for the year	(1,340)	(2,040)	(2,729)	0
Depreciation and impairment losses end of year	(3,796)	(5,208)	(5,019)	0
Carrying amount end of year	26,449	12,834	13,284	7,189
Recognised assets not owned by entity	0	0	12,661	0

10 Fixed asset investments

	Investments in group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	2,541	427
Disposals	0	(262)
Cost end of year	2,541	165
Revaluations beginning of year	26,723	0
Exchange rate adjustments	(2,270)	0
Share of profit/loss for the year	6,566	0
Revaluations end of year	31,019	0
Carrying amount end of year	33,560	165

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

11 Prepayments

Prepayments include prepaid costs relating to the Company's operations.

12 Deferred tax

	2020	2019
	DKK'000	DKK'000
Property, plant and equipment	3,438	2,475
Inventories	5,043	4,547
Provisions	(2,868)	(2,515)
Liabilities other than provisions	(705)	(1,956)
Deferred tax	4,908	2,551

	2020	2019
	DKK'000	DKK'000
Changes during the year		
Beginning of year	2,551	1,717
Recognised in the income statement	2,357	834
End of year	4,908	2,551

13 Other provisions

Other provisions include the Company's assessed liabilities related to complaints etc., based on historical experience.

14 Other payables

	2020	2019
	DKK'000	DKK'000
Holiday pay obligation	22,080	7,826
	22,080	7,826

15 Non-current liabilities other than provisions

	Due within 12	Due within 12	Due after	Outstanding
	months	months	more than 12	after 5 years
	2020	2019	months	2020
	DKK'000	DKK'000	DKK'000	DKK'000
Subordinate loan capital	0	0	31,465	31,465
Bank loans	2,867	2,860	21,440	9,974
Lease liabilities	2,213	1,297	10,822	1,504
Other payables	0	0	22,080	22,080
	5,080	4,157	85,807	65,023

16 Unrecognised rental and lease commitments

	2020 DKK'000	2019 DKK'000
Total liabilities under rental or lease agreements until maturity	7,812	3,119

Of the above liability at 31.12.2020, DKK 3.197k matures within 12 months.

17 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Viking Trading ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the group, as well as secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

18 Assets charged and collateral

Bank debt is secured by a deposited mortgage deed registered to the mortgagor of a nominal value of DKK 126,372k on land and buildings. The carrying amount of mortgaged properties amounts to DKK 26,449k.

Bank debt is secured on a floating charge of a nominal value of DKK 120,000k. The floating charge comprises unsecured claims from sale, operating fixtures, operating equipment and inventories. The carrying amount of assets charged at 31.12.2020 totals DKK 363,671k.

Certain plant and machinery, fixtures and fittings, etc are funded through finance leases. The carrying amount of assets held under finance leases totals DKK 12,661k.

The Company has provided payment guarantees to its suppliers totaling DKK 5,000k.

19 Related parties with controlling interest

ØC Group af 5. Juli 2018 ApS, 8600 Silkeborg holds the majority of the shares in the Company and therefore has a controlling interest in the Company.

Viking Trading ApS, 8600 Silkeborg has the majority of votes in ØC Group af 5. juli 2018 ApS and therefore has a controlling interest in the Company.

Birger Østergaard Christensen, 8600 Silkeborg holds the majority of the shares in Viking Trading ApS and therefore has a controlling interest in the Company.

20 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the financial statements. No such transactions have been conducted in the financial year.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time

of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities and relates to identified badwill from the acquisition of a group of assets and liabilities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns. Cost of sales includes production wages.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise wages and salaries as well as payroll expenses other than production wages.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises other interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc. from payables to group enterprises.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Parent is jointly taxed with all of its Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax (losses)).

Balance sheet**Property, plant and equipment**

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the

asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	15-30 years
Plant and machinery	5-15 years
Other fixtures and fittings, tools and equipment	3-6 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash.