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Tvilum A/S 2018

Egon Kristiansens Allé 2
8882 Fårvang
CVR No. 39323702

Annual report 2023

The Annual General Meeting adopted the annual report on 22.05.2024

Peter Bager
Chairman of the General Meeting

Contents

Entity details

Entity

Tvilum A/S 2018
Egon Kristiansens Allé 2
8882 Fårvang

Business Registration No.: 39323702
Registered office: Silkeborg
Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Peter Bager, Chairman
Birger Østergaard Christensen
Asbjørn Berge

Executive Board

Birger Østergaard Christensen

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 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023.

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.

Faarvang, 22.05.2024

Executive Board

Birger Østergaard Christensen

Board of Directors

Peter Bager
Chairman

Birger Østergaard Christensen

Asbjørn Berge

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 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023 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 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 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 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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Aarhus, 22.05.2024

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Lars Andersen
State Authorised Public Accountant
Identification No (MNE) mne34506

Management commentary

Financial highlights

	2023 DKK'000	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000
Key figures					
Revenue	1,295,953	1,573,459	1,579,779	1,308,757	1,073,891
Gross profit/loss	258,650	307,200	430,556	383,994	321,151
Operating profit/loss	(46,443)	(90,496)	44,981	106,492	75,802
Net financials	(30,863)	(17,335)	(9,891)	(14,850)	(11,041)
Profit/loss for the year	(77,019)	(99,713)	26,828	71,249	50,055
Balance sheet total	563,199	746,915	816,946	501,178	459,537
Investments in property, plant and equipment	4,273	17,783	58,865	16,545	48,067
Equity	93,635	90,008	190,154	188,178	119,199
Cash flows from operating activities	27,521	(79,496)	(77,217)	101,505	(15,304)
Cash flows from investing activities	11,383	(10,016)	(114,842)	(13,873)	(9,518)
Cash flows from financing activities	(26,808)	84,555	196,811	22,699	(21,551)
Average number of employees	628	888	1,056	745	647
Ratios					
Gross margin (%)	19.96	19.52	27.25	29.34	29.91
Net margin (%)	(5.94)	(6.34)	1.70	5.44	4.66
Return on equity (%)	(83.88)	(71.18)	14.18	46.36	53.13
Equity ratio (%)	16.63	12.05	23.28	37.55	25.94
Revenue per employee	2,064	1,772	1,496	1,756	1,659

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:

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

Primary activities

The Company's primary activity is the development, production and sale of furniture based on chipboard and with foil, melamine and painted surfaces. All furniture is sold as ready-to-assemble in Europe, North and South America, Asia and the Middle East as the most important markets.

Development in activities and finances

The financial statements cover the period from 1 January to 31 December 2023.

The cost prices were at the highest level in September 2022. During the remaining months of 2022 and throughout 2023, the cost prices decreased. This is a significant reason for improving the results of 2023 compared to 2022. The energy prices were at the highest level in August 2022. Comparing the spot price in December 2023 to the spot price in August 2022, the price is now at index 15,3.

In June 2023, The Company terminated the cooperation with the former CEO and the main shareholder Birger Østergaard Christensen took over as new CEO. A major plan for reducing the overhead costs was initiated and among other reductions, 30% of the white-collar employees were made redundant in 2023.

Throughout the year, the inventory level was reduced and a rented warehouse in Kjellerup was no longer needed.

The company Industriparken Kjellerup A/S (a building of 34,000m2) was sold in 2023.

The combination of lower cost prices on sourced materials, lower energy costs and a major reduction of the administrative costs, has led to a much better business case and from Q4 2023, the Company has had a positive result before interest and tax.

Profit/loss for the year in relation to expected developments

Income statement

In 2023, Tvilum's revenue was DKK 1.296, which is a decrease of DKK 277m compared to 2022.

As a result of the above, operating profit for 2023 shows a loss of DKK 46.7m (2022: DKK -90.5m)

Management considers results for 2023 unsatisfactory, but the necessary steps have been taken to make 2024 profitable.

No dividend will be distributed for 2023.

Balance sheet

The Group's balance sheet amounts to DKK 563m. Compared to 2022, the balance sheet decreased significantly by DKK 184m. The Company is financed through operating liquidity and loan finance from the Company's bank.

The Company's solvency ratio in 2023 was 16.6% against 12.1% at the end of 2022. Profit/loss for the year has a significant negative impact on the solvency ratio.

In 2023, a capital increase of DKK 77m was carried out by debt conversion, and included in the solvency ratio for 2023, this means a solvency ratio of 16.6%.

Cash flow statement

In 2023, the Company generated a cash flow from operating activities of DKK 28m, which primarily relates to an operating profit/loss of DKK -46m and an improvement in working capital of DKK 85m. Financial expenses etc. account for DKK 32m, and the net change has reduced the bank loans.

Outlook

Q4 of 2023 showed very positive improvements compared to the first 3 quarters of 2023. The Q4 operating result was profitable.

Management expects profit before tax for 2024 to show a significant improvement including a positive result, in the region of DKK 10-20m, based on expected revenue of DKK 1.000m – DKK 1.200m.

Supply risks

The Company is working to expand its supplier base and is actively working to adopt a strategy for purchasing the same product from multiple suppliers to minimize risk from individual suppliers.

Currency risks

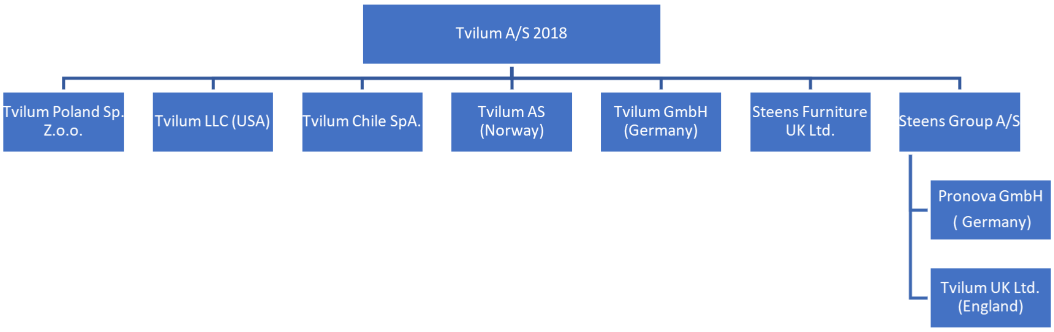
Most of the trade is conducted in EUR and DKK. EUR is used for payment of Danish and foreign suppliers where settlement is agreed in these currencies. Moreover, USD is used when trading with the United States.

Credit risk

No single customer poses a significant risk to the Company. However, debtors are closely monitored, and credit risks and credit insurance are assessed on an individual basis. Most of the Company's customers are fully or partially insured.

Group relations

Company structure



Statutory report on corporate social responsibility

Tvilum is among Europe's leading suppliers of functional and environmentally friendly furniture designed for domestic and semi-professional use. Tvilum is a Danish company that produces furniture with respect for people and nature. Tvilum supplies ready-to-assemble furniture to large and medium-sized retailers around the world. The Company's products consist mainly of chipboard purchased from European suppliers. Fittings and hardware are primarily sourced from South-East Asia under Tvilum's CSR guidelines.

We support

Tvilum supports the ten principles of the UN Global Compact in the areas of human rights, labour rights, environment and anti-corruption.

With this communication, the company expresses its intention to promote these principles with the influence it has. Tvilum wants to make the Global Compact and its principles part of the Company's overall strategy, culture, and day-to-day activities, as well as engage in collaborative projects promoting the UN's broader development goals – formerly the Millennium Development Goals and in the future the Sustainable Development Goals. Tvilum will clarify its commitment to the stakeholders and the public. The company supports public responsibility and transparency, and is therefore committed to reporting annually its progress under the Global Compact COP policy.

Policy
The company's policy is to conduct all business activities responsibly, ensuring health, safety and well-being, preserving the environment and the quality of products and services. The ethical business practices are an integral part of the corporate culture.

Human rights
The Company strives to ensure that all suppliers comply with the obligations they have received and signed when they became a supplier to Tvilum. The Company believes that the greatest risk of human rights violations is within the supply chain, so the importance of the Company's code of conduct is constantly emphasized 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 they are not complicit in human rights abuses.

The Code of Conduct sets out minimum requirements for the conduct of both Tvilum's and suppliers' behavior. The Tvilum Code of Conduct is based on the eight core conventions defined in the fundamental principles of labour market rights, the ILO Declaration of June 1998, the Rio Declaration on Sustainable Development 1992, the UN Summit in Johannesburg on Sustainable Development and the ten principles of the UN Global Compact 2000. Tvilum recognizes the fundamental principles of human rights as defined in the Universal Declaration of Human Rights (UN 1948) and respects UN decisions on trade boycotts and embargoes. At the end of 2023, Tvilum cooperates with 51 suppliers who have signed the Tvilum Code of Conduct. The Company will continue in 2024 making the corporation with new suppliers subject to their signing of the Tvilum Code of Conduct.

Labour
Tvilum believes that workplace safety and discrimination are the most important areas of work-related risks that it needs to manage in its own operations. These are therefore the two areas which the company focus on the most in the work with 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 to collective bargaining.

Principle 4: The elimination of all forms of forced and compulsory labour.
Principle 5: The effective abolition of child labour

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

Tvilum has two production units in Denmark. The average number of employees during the year was 628 (converted to full-time employees). When writing this report, the youngest employee is 22 years old and the oldest is 73 years old. The distribution of employees comprises several nationalities and 31.9% are women.

The Company supports free choice of trade unions and dialogues with employee representatives to ensure a good and respectful working environment. Moreover, the safety of employees at board level is addressed on a monthly basis as well as in the management teams to ensure a safe working environment. It is Management's assessment that the efforts made in 2023 have contributed to maintaining a high level of safety and well-being in Tvilum. These efforts will be maintained in 2024.

The Personnel Policy and the Employee Handbook ensure a focus on the topics among the employees. Both publications inform employees of their rights and duties, including but not limited to equal opportunities, equal treatment and senior policy. The Company ensures that business conduct at all levels is consistent with the Employee Handbook and the Personnel Policy. This to ensure equal opportunities and rights for all employees, regardless of gender, color, religion and ethnic background.

Ongoing procedures ensure equal pay status. Each year, salary level statistics are presented to the local trade union representatives and reported to LO (the Danish Confederation of Trade Unions). When recruiting new employees, the Company ensures to be compliant with local legislations.

Environment

Tvilum wants to take responsibility concerning the environment and surroundings and therefore works with the following principles as part of the Company's management process:

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

Principle 8: Undertake initiatives to promote greater environmental responsibility.

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

Tvilum uses energy to turn wood into furniture. Both resources are essential for a sustainable environment.

Wood is a recyclable, biodegradable and renewable material and thus an environmentally friendly product - provided it comes from sustainable forestry. The Company is a member of PEFC and FSC. The Company consider them to be the most important sources of certification for sustainable forestry. Tvilum's major supplier of chipboard in 2023 uses recycled wood to produce new chipboard. Therefore, the chipboard sourced from this supplier in 2023 contained an average of more than 80% recycled material.

Naturally, the excess chipboard from the production is also utilized - what is not used for energy on site is recycled by the above-mentioned supplier. The Company strives to be able to recycle as much waste as possible. Through a long-term effort, the percentage of chipboard waste that was not recycled in 2023 was 0%.

Reducing energy consumption is and has been an ongoing project. During 2023, the efforts resulted in a further 2.5% reduction in energy consumption in relation to production times and total produced single items compared to 2022. The savings should be seen as a result of increased efficiency in production, involvement and focus on employee behavior as well as specific projects dealing with air compressor system, dust extraction, fork trucks and light.

In order to be more energy efficient, Tvilum has an Energy Management System certified according to ISO 50001. In 2023, energy savings of 1.6% (kwh/pcs.) were obtained compared to 2022.

The use of chemicals has undergone a continuous development towards less hazardous chemicals. The Company considers the central environmental risk to be of an external nature. Therefore, the Company continuously monitors, to the best of its ability, changes in the external environment, from suppliers and business partners to identify necessary actions.

Anti-corruption
As proper and fair business conduct is essential to the way Tvilum runs its business, principle 10 is key to Tvilum: Principle 10: Businesses should work against all forms of corruption, including extortion and bribery. The Company has a policy of "anti-bribery, anti-corruption" that has been implemented, and relevant decision-makers have been trained in this.

Purchasing is the overall activity where corruption is a recurring risk. Purchasing of wood has been a focus area for the Company. The threat of buying illegally harvested wood is present, and illegal wood harvesting is an increasing problem for local communities and the environment in general. The timber 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 to ensure that its wood materials come from legal sources. Due to the risk of illegal wood harvesting and lack of traceable documentation certain sources are avoided. Wood is Tvilum’s most frequently used material and the preferred sources of wood materials are from PEFC- or FSC-certified dealers, and this will continue to be the case in 2024.

The Company believes this is the safest way to avoid controversial materials, and therefore the Company has managed to change the majority of the supplies to come from certified forests. Today, the total volume used in the Company has been purchased under the EUTR rules or is FSC-certified.

Statutory report on the underrepresented gender

	2023
Supreme management body	
Total number of members	3
Underrepresented gender (%)	100.00
Target figures (%)	33.00
Year of expected achievement of target figures	2028

The Board of Directors, which is elected by the Annual General Assembly, consists of three men.

The Board of Directors consists of the main shareholder as well as two externally elected professional board members. The Company's ambition is to fill the board seats with people who have the best qualifications in relation to the board work. There were no elections to the Board of Directors in 2023, and the objective is still to have a 33% mixed gender representation on the Board of Directors in 2025.

The Company's management consists of both men and women. At the end of 2023, 33% or two out of six in the Company's senior management are women. The Company's policy encourages women to apply for vacancies in the Company, and the Company encourages recruitment agencies to present candidates of both genders to vacant positions.

The Company also guarantees equal rights and conditions during employment. Furthermore, employees are guaranteed good conditions for maternity leave, flexible working hours and the opportunity to work from home.

The Company is engaged in observing the guidelines for the underrepresented gender in the supreme management body and at other management levels.

	2023
Other management levels	
Total number of members	6
Underrepresented gender (%)	33.00
Target figures (%)	40.00
Year of expected achievement of target figures	2028

The Company is engaged in observing the guidelines for the underrepresented gender in the supreme management body and at other management levels.

The Board of Directors, which is elected by the Annual General Assembly, consists of three men.

The Board of Directors consists of the main shareholder as well as two externally elected professional board members. The Company's ambition is to fill the board seats with people who have the best qualifications in relation to the board work. There were no elections to the Board of Directors in 2023, and the objective is to have a 33% mixed gender representation on the Board of Directors in 2028.

The Company's management consists of both men and women. At the end of 2023, 33% or two out of six in the Company's senior management are women. and the objective is to have a 40% mixed gender representation on the Board of Directors in 2028.

The Company also guarantees equal rights and conditions during employment. Furthermore, employees are guaranteed good conditions for maternity leave, flexible working hours and the opportunity to work from home.

Statutory report on data ethics policy

The Group uses data-driven solutions for the benefit of customers, suppliers and employees. The ever-increasing amount of data thus requires a constant focus on data quality while processing meets a high standard of data protection.

At present, however, the extent of algorithm-based data analyses is not of such a nature that an actual data-ethical policy is deemed necessary. As data usage continues to evolve, data ethical considerations will continuously play an increasingly important role as an integral part of the Company's strategy.

Events after the balance sheet date

The Company has assessed events up to the date of the annual report and has established that no subsequent events have occurred.

Consolidated income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Revenue	1	1,295,953	1,573,459
Own work capitalised		133,143	177,314
Other operating income	2	64,216	10,717
Cost of sales	3	(1,083,585)	(1,278,625)
Other external expenses	4	(151,077)	(175,665)
Gross profit/loss		**258,650**	**307,200**
Staff costs	5	(288,027)	(356,549)
Depreciation, amortisation and impairment losses	6	(17,066)	(41,147)
Operating profit/loss		**(46,443)**	**(90,496)**
Other financial income		717	6,242
Other financial expenses		(31,580)	(23,577)
Profit/loss before tax		**(77,306)**	**(107,831)**
Tax on profit/loss for the year	7	287	8,118
Profit/loss for the year	8	**(77,019)**	**(99,713)**

Consolidated balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Goodwill		0	0
Intangible assets	9	**0**	**0**
Land and buildings		28,629	44,212
Plant and machinery		46,165	52,874
Other fixtures and fittings, tools and equipment		12,656	16,727
Prepayments for property, plant and equipment		1,534	3,468
Property, plant and equipment	10	**88,984**	**117,281**
Deposits		1,423	779
Financial assets	11	**1,423**	**779**
Fixed assets		**90,407**	**118,060**
Raw materials and consumables		57,862	84,966
Work in progress		26,078	46,526
Manufactured goods and goods for resale		191,311	334,205
Prepayments for goods		5,736	3,224
Inventories		**280,987**	**468,921**
Trade receivables		103,382	127,229
Deferred tax	12	783	0
Other receivables		64,963	23,136
Prepayments	13	3,617	2,605
Receivables		**172,745**	**152,970**
Cash		**19,060**	**6,964**
Current assets		**472,792**	**628,855**
Assets		**563,199**	**746,915**

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital		87,164	10,000
Revaluation reserve		173	173
Retained earnings		6,298	79,835
Equity		**93,635**	**90,008**
Deferred tax	12	0	1,030
Other provisions	14	3,298	4,032
Provisions		**3,298**	**5,062**
Subordinate loan capital		0	73,177
Mortgage debt		0	12,384
Bank loans		12,861	15,721
Lease liabilities		9,176	14,346
Other payables		29,105	26,816
Non-current liabilities other than provisions	15	**51,142**	**142,444**
Current portion of non-current liabilities other than provisions	15	8,037	7,371
Bank loans		299,676	314,364
Trade payables		35,258	86,320
Other payables		72,153	101,346
Current liabilities other than provisions		**415,124**	**509,401**
Liabilities other than provisions		**466,266**	**651,845**
Equity and liabilities		**563,199**	**746,915**
Unrecognised rental and lease commitments	17		
Assets charged and collateral	18		
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Consolidated statement of changes in equity for 2023

	Contributed capital DKK'000	Revaluation reserve DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	10,000	173	79,835	90,008
Increase of capital	77,164	0	0	77,164
Exchange rate adjustments	0	0	3,482	3,482
Profit/loss for the year	0	0	(77,019)	(77,019)
Equity end of year	**87,164**	**173**	**6,298**	**93,635**

Consolidated cash flow statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Operating profit/loss		(46,443)	(90,496)
Amortisation, depreciation and impairment losses		18,672	40,758
Working capital changes	16	85,175	(7,371)
Other adjustments		1,724	(830)
Cash flow from ordinary operating activities		**59,128**	**(57,939)**
Financial income received		716	6,242
Financial expenses paid		(31,580)	(23,573)
Taxes refunded/(paid)		(743)	(4,226)
Cash flows from operating activities		**27,521**	**(79,496)**
Acquisition etc. of property, plant and equipment		(4,273)	(11,027)
Sale of property, plant and equipment		15,656	1,011
Cash flows from investing activities		**11,383**	**(10,016)**
Free cash flows generated from operations and investments before financing		**38,904**	**(89,512)**
Loans raised		0	93,394
Repayments of loans etc.		(103,972)	(8,839)
Cash capital increase		77,164	0
Cash flows from financing activities		**(26,808)**	**84,555**
Increase/decrease in cash and cash equivalents		**12,096**	**(4,957)**
Cash and cash equivalents beginning of year		6,964	11,921
Cash and cash equivalents end of year		**19,060**	**6,964**
Cash and cash equivalents at year-end are composed of:			
Cash		19,060	6,964
Cash and cash equivalents end of year		**19,060**	**6,964**

Notes to consolidated financial statements

1 Revenue

	2023 DKK'000	2022 DKK'000
Revenue, Denmark	44,916	80,837
Revenue Europe	878,634	1,003,146
Revenue, rest of the world	372,403	489,476
Total revenue by geographical market	**1,295,953**	**1,573,459**

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

2 Other operating income

	2023 DKK'000	2022 DKK'000
Other operating income	64,216	10,717
	64,216	**10,717**

Other operating income consists of realised badwill in foreign subsidiaries, profit from sale of tangible fixed assets and refunds. Furthermore, other operating revenues in 2023 include gains from the sale of equity interests.

3 Cost of sales

Cost of sales includes DKK 102.037k relating to production wages (2022: 116.588k).

4 Fees to the auditor appointed by the Annual General Meeting

	2023 DKK'000	2022 DKK'000
Statutory audit services	637	610
Tax services	320	44
Other services	487	596
	1,444	**1,250**

5 Staff costs

	2023 DKK'000	2022 DKK'000
Wages and salaries	256,752	321,008
Pension costs	20,078	23,329
Other social security costs	10,727	11,901
Other staff costs	470	311
	288,027	**356,549**

Average number of full-time employees	**628**	**888**

	Remuneration of management 2023 DKK'000	Remuneration of management 2022 DKK'000
Total amount for management categories	3,459	3,062
	3,459	**3,062**

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

6 Depreciation, amortisation and impairment losses

	2023 DKK'000	2022 DKK'000
Amortisation of intangible assets	0	21,339
Depreciation on property, plant and equipment	17,066	19,808
	17,066	**41,147**

7 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Current tax	(219)	1,640
Change in deferred tax	29	(9,715)
Adjustment concerning previous years	(97)	(43)
	(287)	**(8,118)**

8 Proposed distribution of profit/loss

	2023 DKK'000	2022 DKK'000
Retained earnings	(77,019)	(99,713)
	(77,019)	**(99,713)**

9 Intangible assets

	Goodwill DKK'000
Cost beginning of year	24,157
Cost end of year	**24,157**
Amortisation and impairment losses beginning of year	(24,157)
Amortisation and impairment losses end of year	**(24,157)**
Carrying amount end of year	**0**

10 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Prepayments for property, plant and equipment DKK'000
Cost beginning of year	52,379	84,187	33,285	3,468
Disposals on divestments etc.	(19,748)	0	0	0
Exchange rate adjustments	365	2,522	(40)	0
Transfers	732	1,833	0	(2,565)
Additions	61	2,557	468	1,187
Disposals	0	(2,036)	(186)	(556)
Cost end of year	**33,789**	**89,063**	**33,527**	**1,534**
Depreciation and impairment losses beginning of year	(8,167)	(31,313)	(16,558)	0
Disposals on divestments etc	5,083	0	0	0
Exchange rate adjustments	(118)	(956)	(14)	0
Depreciation for the year	(1,958)	(10,719)	(4,400)	0
Reversal regarding disposals	0	90	101	0
Depreciation and impairment losses end of year	**(5,160)**	**(42,898)**	**(20,871)**	**0**
Carrying amount end of year	**28,629**	**46,165**	**12,656**	**1,534**
Carrying amount if asset had not been revalued	37,549	0	0	0
Recognised assets not owned by Entity	0	0	13,556	0

11 Financial assets

	Deposits DKK'000
Cost beginning of year	779
Exchange rate adjustments	(14)
Additions	808
Disposals	(150)
Cost end of year	**1,423**
Carrying amount end of year	**1,423**

12 Deferred tax

Changes during the year	2023 DKK'000	2022 DKK'000
Beginning of year	(1,030)	(10,815)
Recognised in the income statement	1,813	9,785
End of year	**783**	**(1,030)**

Deferred tax relates to intangible assets, property, plant and equipment, inventories and other provisions.

Deferred tax assets
Deferred tax on all temporary differences between the tax base of assets and liabilities and their carrying amounts is accounted for in accordance with the balance sheet liability method.

13 Prepayments

Prepayments include prepaid costs.

14 Other provisions

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

15 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK'000	Due within 12 months 2022 DKK'000	Due after more than 12 months 2023 DKK'000	Outstanding after 5 years 2023 DKK'000
Mortgage debt	0	863	0	0
Bank loans	2,867	2,867	12,861	1,618
Lease liabilities	5,170	3,641	9,176	0
Other payables	0	0	29,105	29,105
	8,037	**7,371**	**51,142**	**30,723**

16 Changes in working capital

	2023 DKK'000	2022 DKK'000
Increase/decrease in inventories	187,934	(13,438)
Increase/decrease in receivables	(20,417)	47,615
Increase/decrease in trade payables etc.	(82,342)	(41,548)
	85,175	**(7,371)**

17 Unrecognised rental and lease commitments

	2023 DKK'000	2022 DKK'000
Total liabilities under rental or lease agreements until maturity	**28,957**	**17,924**

Of the above liability at 31.12.2023, DKK 15,321k matures within 12 month.

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 25,384k.

Bank debt is secured on a floating charge of a nominal value of DKK 210,000k. The floating charge com-prises unsecured claims from sale, operating fixtures, operating equipment and inventories. The carrying amount of assets charged at 31.12.2023 totals DKK 374.832k.

Certain plant and machinery, fixtures and fittings, etc are funded through finance leases. The carrying amount of assets held under finance leases totals DKK 9.559k.

19 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.

20 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: BCH Holding ApS, Sejs Søvej 76, 8600 Silkeborg, Central Business Registration No: 42306487

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

21 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
Tvilum UK Ltd	United Kingdom	Ltd	100
Tvilum Home Furnishing Co., Ltd.	China	Co., Ltd	100
Tvilum Chile SpA	Chile	SpA	100
Steens Group A/S	Denmark	A/S	100
Steens Furniture Ltd	United Kingdom	Ltd	100
Pronova GmbH	Germany	GmbH	100

The following companies are not included in the consolidation as they are classified to be unmaterial for the consolidated financial statements in total. The total balance is less than 1% of the consolidated balance sheet:
- Tvilum UK Ltd
- Steens Furniture Ltd
- Pronova GmbH

Parent income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Revenue	1	1,207,409	1,408,613
Own work capitalised		133,143	177,314
Other operating income		10,189	8,099
Cost of sales	2	(1,036,798)	(1,178,524)
Other external expenses		(156,374)	(190,457)
Gross profit/loss		**157,569**	**225,045**
Staff costs	3	(254,829)	(281,424)
Depreciation, amortisation and impairment losses	4	(12,549)	(33,557)
Operating profit/loss		**(109,809)**	**(89,936)**
Income from investments in group enterprises		61,604	(6,508)
Other financial income from group enterprises		53	0
Other financial income		698	6,069
Financial expenses from group enterprises		(6,397)	0
Other financial expenses		(25,883)	(21,358)
Profit/loss before tax		**(79,734)**	**(111,733)**
Tax on profit/loss for the year	5	2,715	12,020
Profit/loss for the year	6	**(77,019)**	**(99,713)**

Parent balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Goodwill		0	0
Intangible assets	7	**0**	**0**
Land and buildings		25,383	26,096
Plant and machinery		28,029	33,080
Other fixtures and fittings, tools and equipment		10,980	14,915
Prepayments for property, plant and equipment		1,534	3,468
Property, plant and equipment	8	**65,926**	**77,559**
Investments in group enterprises		134,158	127,374
Deposits		193	764
Financial assets	9	**134,351**	**128,138**
Fixed assets		**200,277**	**205,697**
Raw materials and consumables		50,286	73,497
Work in progress		22,126	42,419
Manufactured goods and goods for resale		170,913	307,219
Prepayments for goods		5,736	3,224
Inventories		**249,061**	**426,359**
Trade receivables		96,320	121,044
Receivables from group enterprises		26,717	33,230
Other receivables		54,374	10,059
Joint taxation contribution receivable		2,715	6,539
Prepayments	10	3,167	2,021
Receivables		**183,293**	**172,893**
Cash		**6,579**	**383**
Current assets		**438,933**	**599,635**
Assets		**639,210**	**805,332**

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital		87,163	10,000
Reserve for net revaluation according to equity method		43,243	31,341
Retained earnings		(36,772)	48,667
Equity		**93,634**	**90,008**
Other provisions	11	3,298	4,032
Provisions		**3,298**	**4,032**
Subordinate loan capital		0	73,178
Bank loans		12,861	15,721
Lease liabilities		9,176	14,346
Other payables		24,934	22,087
Non-current liabilities other than provisions	12	**46,971**	**125,332**
Current portion of non-current liabilities other than provisions	12	8,037	6,508
Bank loans		244,516	257,153
Trade payables		32,304	82,603
Payables to group enterprises		150,316	155,066
Other payables	13	60,134	84,630
Current liabilities other than provisions		**495,307**	**585,960**
Liabilities other than provisions		**542,278**	**711,292**
Equity and liabilities		**639,210**	**805,332**
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Assets charged and collateral	16		
Related parties with controlling interest	17		
Non-arm's length related party transactions	18		

Parent statement of changes in equity for 2023

	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	31,341	48,667	90,008
Capital increase by debt conversion	77,163	0	0	77,163
Exchange rate adjustments	0	3,482	0	3,482
Profit/loss for the year	0	8,420	(85,439)	(77,019)
Equity end of year	**87,163**	**43,243**	**(36,772)**	**93,634**

Notes to parent financial statements

1 Revenue

	2023 DKK'000	2022 DKK'000
Revenue, Denmark	42,503	76,051
Revenue, Europe	793,516	864,200
Revenue, rest of the world	371,390	468,362
Total revenue by geographical market	**1,207,409**	**1,408,613**

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

2 Cost of sales

Cost of sales includes DKK 102.037k relating to production wages (2022: 116.588k).

3 Staff costs

	2023 DKK'000	2022 DKK'000
Wages and salaries	228,246	253,848
Pension costs	19,442	19,650
Other social security costs	6,952	7,688
Other staff costs	189	238
	254,829	**281,424**

Average number of full-time employees	**553**	626

	Remuneration of Management 2023 DKK'000	Remuneration of Management 2022 DKK'000
Total amount for management categories	3,459	3,062
	3,459	**3,062**

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

4 Depreciation, amortisation and impairment losses

	2023 DKK'000	2022 DKK'000
Amortisation of intangible assets	0	21,700
Depreciation on property, plant and equipment	12,549	11,857
	12,549	**33,557**

5 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Change in deferred tax	0	(5,481)
Refund in joint taxation arrangement	(2,715)	(6,539)
	(2,715)	**(12,020)**

6 Proposed distribution of profit and loss

	2023 DKK'000	2022 DKK'000
Retained earnings	(77,019)	(99,713)
	(77,019)	**(99,713)**

7 Intangible assets

	Goodwill DKK'000
Cost beginning of year	21,700
Cost end of year	**21,700**
Amortisation and impairment losses beginning of year	(21,700)
Amortisation and impairment losses end of year	**(21,700)**
Carrying amount end of year	**0**

8 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Prepayments for property, plant and equipment DKK'000
Cost beginning of year	32,700	46,438	29,241	3,468
Transfers	732	1,833	0	(2,565)
Additions	61	1,580	160	1,187
Disposals	0	(1,520)	(187)	(556)
Cost end of year	**33,493**	**48,331**	**29,214**	**1,534**
Depreciation and impairment losses beginning of year	(6,604)	(13,358)	(14,326)	0
Depreciation for the year	(1,506)	(7,034)	(4,009)	0
Reversal regarding disposals	0	90	101	0
Depreciation and impairment losses end of year	**(8,110)**	**(20,302)**	**(18,234)**	**0**
Carrying amount end of year	**25,383**	**28,029**	**10,980**	**1,534**
Recognised assets not owned by entity	0	359	9,200	0

9 Financial assets

	Investments in group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	96,033	764
Disposals on divestments etc.	(5,500)	0
Additions	380	0
Disposals	0	(571)
Cost end of year	**90,913**	**193**
Revaluations beginning of year	31,341	0
Disposals on divestments etc.	5,615	0
Exchange rate adjustments	3,483	0
Share of profit/loss for the year	10,312	0
Dividend	(7,506)	0
Revaluations end of year	**43,245**	**0**
Carrying amount end of year	**134,158**	**193**

10 Prepayments

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

11 Other provisions

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

12 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK'000	Due within 12 months 2022 DKK'000	Due after more than 12 months 2023 DKK'000	Outstanding after 5 years 2023 DKK'000
Bank loans	2,867	2,867	12,861	1,618
Lease liabilities	5,170	3,641	9,176	0
Other payables	0	0	24,934	24,934
	8,037	**6,508**	**46,971**	**26,552**

13 Other payables

	2023 DKK'000	2022 DKK'000
VAT and duties	251	208
Wages and salaries, personal income taxes, social security costs, etc. payable	20,413	15,641
Holiday pay obligation	12,720	19,783
Other costs payable	26,750	48,998
	60,134	**84,630**

14 Unrecognised rental and lease commitments

	2023 DKK'000	2022 DKK'000
Total liabilities under rental or lease agreements until maturity	**7,906**	**9,685**

Of the above liability at 31.12.2023, DKK 3.660k matures within 12 months.

15 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which BCH Holding 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.

16 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 25,384k.

Bank debt is secured on a floating charge of a nominal value of DKK 210,000k. The floating charge com-prises unsecured claims from sale, operating fixtures, operating equipment and inventories. The carrying amount of assets charged at 31.12.2023 totals DKK 374.832k.

Certain plant and machinery, fixtures and fittings, etc are funded through finance leases. The carrying amount of assets held under finance leases totals DKK 9.559k.

The Company has provided a no-limit guarantee for the bank debt of the subsidiary Steens Group A/S.

17 Related parties with controlling interest

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

18 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 with some reclassifications.

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.

Own work capitalised

Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for inventories.

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 and Indirect production costs.

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 from group enterprises
Other financial income from group enterprises comprises interest income etc. on receivables from group enterprises.

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

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For goodwill, useful life has been determined based on an assessment of whether the amount of goodwill includes
intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

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:

	Useful life
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.

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. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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.

Joint taxation contributions payable or receivable
Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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

Cash
Cash comprises cash in hand and bank deposits.

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.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Lease liabilities
Lease liabilities 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 liabilities 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.

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.