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# Tvilum A/S 2018

Egon Kristiansens Allé 2
8882 Fårvang
CVR No. 39323702

# Annual report 2022

The Annual General Meeting adopted the annual report on 28.06.2023

**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: 01.01.2022 - 31.12.2022

### Board of Directors

Asbjørn Berge
Peter Bager
Poul Kristiansen
Birger Østergaard Christensen

### 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 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022.

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, 28.06.2023

**Executive Board**

**Birger Østergaard Christensen**

**Board of Directors**

| | |
|---|---|
| **Asbjørn Berge** | **Peter Bager** |
| **Poul Kristiansen** | **Birger Østergaard Christensen** |

# 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 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 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, 28.06.2023

**Deloitte**
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

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

**Kasper Vestergaard Jessen**
State Authorised Public Accountant
Identification No (MNE) mne42784

# Management commentary

## Financial highlights

| | 2022 DKK'000 | 2021 DKK'000 | 2020 DKK'000 | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Revenue | 1,573,459 | 1,579,779 | 1,308,757 | 1,073,891 | 756,809 |
| Gross profit/loss | 181,995 | 299,257 | 268,621 | 225,558 | 213,183 |
| Operating profit/loss | (90,496) | 44,981 | 106,492 | 75,802 | 91,759 |
| Net financials | (17,335) | (9,891) | (14,850) | (11,041) | (14,369) |
| Profit/loss for the year | (99,713) | 26,828 | 71,249 | 50,055 | 59,197 |
| Balance sheet total | 746,915 | 816,946 | 501,178 | 459,537 | 363,645 |
| Investments in property, plant and equipment | 17,783 | 58,865 | 16,545 | 48,067 | 51,559 |
| Equity | 90,008 | 190,154 | 188,178 | 119,199 | 69,216 |
| Cash flows from operating activities | (79,496) | (77,217) | 101,505 | (15,304) | (75,080) |
| Cash flows from investing activities | (10,016) | (114,842) | (13,873) | (9,518) | (74,124) |
| Cash flows from financing activities | 84,555 | 196,811 | 22,699 | (21,551) | 92,415 |
| Average number of employees | 888 | 1,056 | 745 | 647 | 523 |
| | | | | | |
| **Ratios** | | | | | |
| Gross margin (%) | 11.57 | 18.94 | 20.52 | 21.00 | 28.17 |
| Net margin (%) | (6.34) | 1.70 | 5.44 | 4.66 | 7.82 |
| Return on equity (%) | (71.18) | 14.18 | 46.36 | 53.13 | 171.05 |
| Equity ratio (%) | 12.05 | 23.28 | 37.55 | 25.94 | 19.03 |
| Revenue per employee | 1,772 | 1,496 | 1,756 | 1,659 | 1,447 |
| Solvency ratio including subordinate loan capital (%) | 21.80 | 28.70 | 43.80 | 42.10 | 36.50 |

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

**Gross margin (%):**
Gross profit/loss * 100
Revenue

**Net margin (%):**
Profit/loss for the year * 100

Revenue

**Return on equity (%):**
Profit/loss for the year * 100
Average equity

**Equity ratio (%):**
Equity * 100
Balance sheet total

**Revenue per employee:**
Revenue
Average number of employees

**Solvency ratio including subordinates loan capital (%):**
Equity incl. subordinate loan capital * 100
Total assets

## 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 furniture.
The furniture is sold 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 2022.

The year has been significantly affected by the sharp rise in inflation, which is fundamentally due to the situation which the war in Ukraine has put the world in – and in particular Europe. Moreover, this development is a continuation of 2020 and 2021, which were heavily influenced by Covid-19.

In 2022, there has been a continued sharp increase in raw material prices. This process began in the H2 2021 and really took off in 2022 as inflation increased. The increase in inflation has been driven essentially by the sharp rise in energy prices, and consumers' general uncertainty and concern for the future.

Consequently, Tvilum has been forced to increase its sales prices accordingly. All in all, this process has resulted in a considerable slowdown in the sale of Tvilum products. As a result, the production capacity has been continuously adjusted, both through dismissals and natural wastage, but also through training and education of hourly-paid employees. However, the process of adjustment has inevitably had a negative impact on productivity and earnings.

The acquisition of Steens Group was decided and completed at June 2021, and by the end of 2022 the company has been fully integrated into Tvilum. Based on MDF and solid wood, Steens Group products are more expensive furniture than Tvilum's chip-based products. This leads to a higher price sensitivity for MDF and solid wood, and therefore these categories have seen a considerable decrease in sales. Moreover, there has been a major restructuring of the organisation and adjustment of the product range, which has resulted in additional costs.

Overall, the development has resulted in a significant loss in this part of the business in 2022, and assuming that this part of the market will not recover in the coming period, this has led to a subsequent decision in 2023 on a controlled winding up of the activities relating to Steens Group.

## Profit/loss for the year in relation to expected developments

**Income statement**

Tvilum's revenue shows a slight decrease of DKK 6.3m compared to 2021. Of revenue in 2022, DKK 162m comes from Steens products. In 2021, revenue of Steens products was DKK 123.2m; however only the period June-Dec was included in the Tvilum figures in 2021.
In isolation, there is thus a decline on revenue of the Tvilum business, excluding Steens of DKK 45.1m compared to 2021.

As a result of the above, EBITDA for 2022 is a loss of DKK 49.7m.

| *mDKK* | 2022 | 2021 | 2020 | 2019* | 2018* |
|---|---|---|---|---|---|
| Revenue | 1,573.5 | 1,579.8 | 1,308.8 | 1,073.9 | 756.8 |
| EBITDA | -49.7 | 65.1 | 117.7 | 82.4 | 95.4 |
| Badwill* | - | - | - | 24.0 | 108.0 |
| **EBITDA excl badwill** | **-49.7** | **65.1** | **117.7** | **58.4** | **-12.6** |
| *EBITDA%* | *-3.2%* | *4.1%* | *9.0%* | *5.4%* | *-1.7%* |
| Profit/loss before tax | -107.8 | 35.1 | 91.6 | 64.8 | 77.4 |
| Profit/loss after tax | -99.7 | 26.8 | 71.2 | 50.1 | 59.2 |
| Number of employees | 847 | 1116 | 857 | 727 | 647 |

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

Management considers results for 2022 unsatisfactory.

No dividend will be distributed for 2022.

**Balance sheet**

The Group's balance sheet amounts to DKK 746.9m. Compared to 2021, the balance sheet total decreased slightly by DKK 70.0m. The Company is financed through operating liquidity and loan finance from the Company's bank.

The Company's solvency ratio in 2022 was 12.1% against 23.3% at the end of 2021. Profit/loss for the year has a significant negative impact on the solvency ratio.

In 2023, a capital increase of DKK 26m was carried out by debt conversion, and included in the solvency ratio for 2022, this means a solvency ratio of 15.5%. In addition, as stated under the section Outlook, it has been decided to close the part of the business which relates to the purchase of Steens Group in 2021. In this connection, the buildings related to Steens Group have been sold to an external buyer at a price substantially above the carrying amount. Adjusted for this, this means a further increase in solvency ratio to 20.6%.

Furthermore, a number of initiatives have been launched to strengthen the Company's working capital as well as cash resources in 2023, thereby ensuring the Company's planned operations in 2023.

**Cash flow statement**

In 2022, the Company generated cash flows from operating activities of DKK -79.5m, which primarily relates to an operating profit/loss of DKK -90,5m and a reduction in working capital of DKK 32.6m. Financial expenses etc. account for DKK 10,0m, and the total change is primarily financed through a business credit.

## Outlook

Due to the development in results in 2022, Management has subsequently decided to close the part of the business relating to Steens Group which was acquired in 2021. This decision is reflected in the 2022 financial statements where the remaining goodwill from the purchase of Steens Group has been written off.

Management expects profit/loss before tax for 2023 to show an improvement compared to 2022 in the region of DKK 25m – DKK 50m, based on expected revenue of DKK 1,500m – DKK 1,600m, however, considering that the uncertainty in the world in general and specifically in the furniture industry is still characterised as high.

**Special risks**

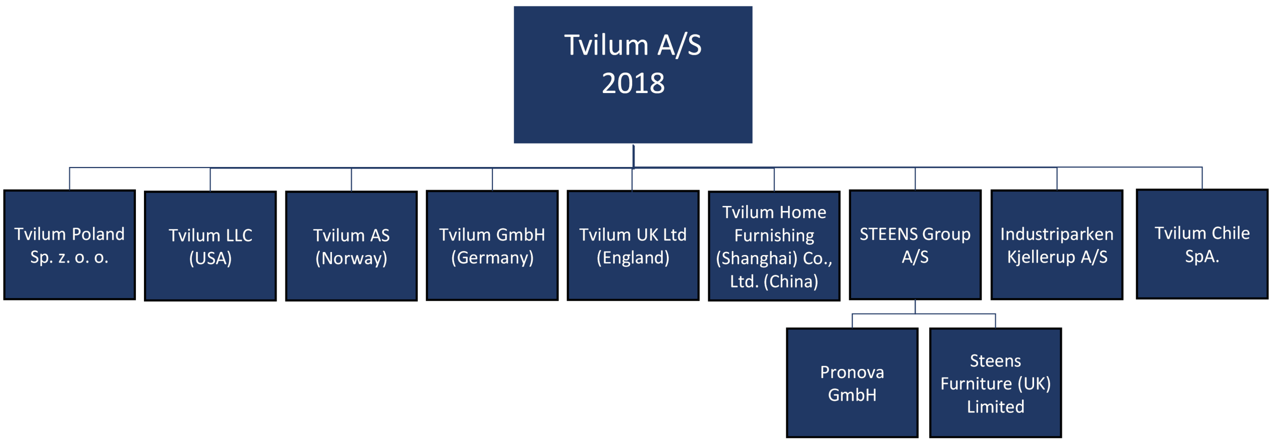
**Supply risks**
Since 2020, the Company has been working to expand its supplier base and is actively working to adopt a strategy for purchasing the same product from multiple suppliers to minimise risk from individual suppliers.

**Currency risks**
Most of the trade is conducted 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 practical and environmentally friendly furniture designed for domestic and semi-professional use. Tvilum is a Danish company that produces furniture with the greatest possible 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. Brackets are mainly purchased 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 we express our intention to promote these principles with the influence we have. We want 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 our stakeholders and the public. We support public responsibility and transparency, and we therefore commit ourselves to reporting annually our progress under the Global Compact COP policy.

**Policy**

Our policy is to conduct all business activities responsibly, ensuring health, safety and well-being, preserving the environment and the quality of products and services. Our ethical business practices are an integral part of our 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 emphasised 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 own and suppliers. 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 recognises 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 2022, Tvilum has cooperated with 55 suppliers who have signed the Tvilum Code of Conduct, and this figure is expected to increase during 2023, as we will continue to stipulate that new suppliers must sign the Tvilum Code of Conduct in 2023.

**Labour**

We believe that workplace safety and discrimination are the most important areas of work-related risks that we need to deal with internally within the organisation. These are therefore the two areas we focus on the most in our 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; and 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 669 (converted to full-time employees). When writing this report, the youngest employee is 19 years old and the oldest is 72 years old. The distribution of employees comprises several nationalities, of which 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 on the management teams to ensure a safe working environment. It is Management's assessment that the efforts made in 2022 have contributed to maintaining a high level of safety and well-being in Tvilum. This effort will be maintained in 2023.

The personnel policy and the Employee Handbook were updated in 2018 and ensures a renewed focus on the issues 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, colour, religion or ethnic background.

Ongoing procedures have been initiated to ensure equal pay status. Each year, salary level statistics are shown to the local trade union representatives and reported to LO (the Danish Confederation of Trade Unions). When recruiting new employees abroad, the approach was changed in 2018. Instead of simply offering a standard Tvilum contract, a local lawyer is now consulted to ensure that the contract meets local legal requirements. This ensures that no employee is offered lower terms than the standard terms in the country concerned.

**Environment**
Tvilum wants to take responsibility in 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.

At Tvilum we use 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. We consider them to be the most important sources of certification for sustainable forestry. Our largest supplier of chipboard in 2022 uses recycled wood to produce new chipboard. Therefore, the chipboard received from there in 2022 contained an average of more than 80% recycled material.

Naturally, the excess chipboard from the production is also used - what is not used for energy use on site is recycled by the above 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 2022 was 0%.

Reducing energy consumption is and has been an ongoing project. During 2022, the effort resulted in a further 2.5% reduction in energy consumption in relation to production times and total produced single items compared to 2021. The savings should be seen as a result of increased efficiency in production, involvement and focus on employee behaviour 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 2022, an energy saving of 3.0% (kwh/pcs.) was achieved compared to 2021. According to the review of the energy management system for 2022, the energy saving target for 2023 is an additional 3.0% reduction.

The use of chemicals has undergone continuous development towards the use of 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 wood has been a focus area for the Company. The threat of buying illegally felled timber is present, and illegal timber felling 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 our timber comes from legal sources. Due to the risk of illegal timber felling and lack of traceable documentation we avoid certain sources. Wood is our most frequently used raw material. Our preferred sources of wood materials are from PEFC- or FSC-certified dealers, and this will continue to be the case in 2023.

The Company believes this is the safest way to avoid controversial materials, and therefore the Company has managed to change the majority of our 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
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 five men.

The Board of Directors consists of the owners 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 2022, and the objective is still to have a 20% mixed gender representation on the Board of Directors in 2025.

The Company's management consists of both men and women. At the end of 2022, 29% or two out of seven 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. We will continue with this approach in 2023.

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

## 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 2022

| | Notes | 2022<br>DKK'000 | 2021<br>DKK'000 |
|---|---|---|---|
| Revenue | 1 | 1,573,459 | 1,579,779 |
| Other operating income | 2 | 2,099 | 2,581 |
| Cost of sales | 3 | (1,243,400) | (1,135,733) |
| Other external expenses | 4 | (150,163) | (147,370) |
| **Gross profit/loss** | | **181,995** | **299,257** |
| | | | |
| Staff costs | 5 | (231,733) | (230,039) |
| Depreciation, amortisation and impairment losses | 6 | (40,758) | (20,163) |
| Other operating expenses | | 0 | (4,074) |
| **Operating profit/loss** | | **(90,496)** | **44,981** |
| | | | |
| Other financial income | | 6,242 | 4,047 |
| Other financial expenses | | (23,577) | (13,938) |
| **Profit/loss before tax** | | **(107,831)** | **35,090** |
| | | | |
| Tax on profit/loss for the year | 7 | 8,118 | (8,262) |
| **Profit/loss for the year** | 8 | **(99,713)** | **26,828** |

# Consolidated balance sheet at 31.12.2022

## Assets

| | Notes | 2022 DKK'000 | 2021 DKK'000 |
|---|---|---|---|
| Goodwill | | 0 | 21,339 |
| **Intangible assets** | 9 | **0** | **21,339** |
| | | | |
| Land and buildings | | 44,212 | 44,249 |
| Plant and machinery | | 52,874 | 55,587 |
| Other fixtures and fittings, tools and equipment | | 16,727 | 20,248 |
| Prepayments for property, plant and equipment | | 3,468 | 6,755 |
| **Property, plant and equipment** | 10 | **117,281** | **126,839** |
| | | | |
| Deposits | | 779 | 605 |
| **Financial assets** | 11 | **779** | **605** |
| | | | |
| **Fixed assets** | | **118,060** | **148,783** |
| | | | |
| Raw materials and consumables | | 84,966 | 95,755 |
| Work in progress | | 46,526 | 71,656 |
| Manufactured goods and goods for resale | | 334,205 | 282,438 |
| Prepayments for goods | | 3,224 | 5,634 |
| **Inventories** | | **468,921** | **455,483** |
| | | | |
| Trade receivables | | 127,229 | 176,002 |
| Other receivables | | 23,136 | 21,988 |
| Prepayments | 12 | 2,605 | 2,769 |
| **Receivables** | | **152,970** | **200,759** |
| | | | |
| **Cash** | | **6,964** | **11,921** |
| | | | |
| **Current assets** | | **628,855** | **668,163** |
| | | | |
| **Assets** | | **746,915** | **816,946** |

## Equity and liabilities

| | Notes | 2022 DKK'000 | 2021 DKK'000 |
|---|---|---|---|
| Contributed capital | | 10,000 | 10,000 |
| Revaluation reserve | | 173 | 173 |
| Retained earnings | | 79,835 | 179,981 |
| **Equity** | | **90,008** | **190,154** |
| | | | |
| Deferred tax | 13 | 1,030 | 10,815 |
| Other provisions | 14 | 4,032 | 7,578 |
| **Provisions** | | **5,062** | **18,393** |
| | | | |
| Subordinate loan capital | | 73,177 | 45,263 |
| Mortgage debt | | 12,384 | 13,226 |
| Bank loans | | 15,721 | 18,581 |
| Lease liabilities | | 14,346 | 15,300 |
| Other payables | | 26,816 | 27,882 |
| **Non-current liabilities other than provisions** | 15 | **142,444** | **120,252** |
| | | | |
| Current portion of non-current liabilities other than provisions | 15 | 7,371 | 8,416 |
| Bank loans | | 314,364 | 252,022 |
| Prepayments received from customers | | 0 | 828 |
| Trade payables | | 86,320 | 113,827 |
| Tax payable | | 0 | 2,559 |
| Other payables | | 101,346 | 110,495 |
| **Current liabilities other than provisions** | | **509,401** | **488,147** |
| | | | |
| **Liabilities other than provisions** | | **651,845** | **608,399** |
| | | | |
| **Equity and liabilities** | | **746,915** | **816,946** |
| | | | |
| Unrecognised rental and lease commitments | 17 | | |
| Assets charged and collateral | 18 | | |
| Transactions with related parties | 19 | | |
| Group relations | 20 | | |
| Subsidiaries | 21 | | |

# Consolidated statement of changes in equity for 2022

| | Contributed capital DKK'000 | Revaluation reserve DKK'000 | Retained earnings DKK'000 | Total DKK'000 |
|---|---|---|---|---|
| Equity beginning of year | 10,000 | 173 | 179,981 | 190,154 |
| Exchange rate adjustments | 0 | 0 | (433) | (433) |
| Profit/loss for the year | 0 | 0 | (99,713) | (99,713) |
| **Equity end of year** | **10,000** | **173** | **79,835** | **90,008** |

# Consolidated cash flow statement for 2022

| | Notes | 2022<br>DKK'000 | 2021<br>DKK'000 |
|---|---|---|---|
| Operating profit/loss | | (90,496) | 44,981 |
| Amortisation, depreciation and impairment losses | | 40,758 | 20,163 |
| Other provisions | | 0 | 4,373 |
| Working capital changes | 16 | (8,201) | (114,773) |
| **Cash flow from ordinary operating activities** | | **(57,939)** | **(45,256)** |
| Financial income received | | 6,242 | 4,041 |
| Financial expenses paid | | (23,573) | (13,918) |
| Taxes refunded/(paid) | | (4,226) | (22,084) |
| **Cash flows from operating activities** | | **(79,496)** | **(77,217)** |
| Acquisition etc. of property, plant and equipment | | (11,027) | (23,235) |
| Sale of property, plant and equipment | | 1,011 | 0 |
| Sale of fixed asset investments | | 0 | 150 |
| Acquisition of enterprises | | 0 | (91,757) |
| **Cash flows from investing activities** | | **(10,016)** | **(114,842)** |
| **Free cash flows generated from operations and investments before financing** | | **(89,512)** | **(192,059)** |
| Loans raised | | 93,394 | 225,604 |
| Repayments of loans etc. | | (8,839) | (3,793) |
| Dividend paid | | 0 | (25,000) |
| **Cash flows from financing activities** | | **84,555** | **196,811** |

| | | |
|---|---|---|
| **Increase/decrease in cash and cash equivalents** | **(4,957)** | **4,752** |
| | | |
| Cash and cash equivalents beginning of year | 11,921 | 7,169 |
| **Cash and cash equivalents end of year** | **6,964** | **11,921** |
| | | |
| Cash and cash equivalents at year-end are composed of: | | |
| Cash | 6,964 | 11,921 |
| **Cash and cash equivalents end of year** | **6,964** | **11,921** |

# Notes to consolidated financial statements

## 1 Revenue

| | 2021<br>DKK'000 |
|---|---|
| Revenue, Denmark | 94,114 |
| Revenue Europe | 959,143 |
| Revenue, rest of the world | 526,522 |
| **Total revenue by geographical market** | **1,579,779** |

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

## 2 Other operating income

| | 2022<br>DKK'000 | 2021<br>DKK'000 |
|---|---|---|
| Other operating income | 2,099 | 2,581 |
| | **2,099** | **2,581** |

Other operating income in 2022 consists of realised badwill in foreign subsidiaries against primarily compensation for labour costs in 2021.

## 3 Cost of sales

Cost of sales includes DKK 116.588k relating to production wages (2021: 131.299k).

## 4 Fees to the auditor appointed by the Annual General Meeting

| | 2022<br>DKK'000 | 2021<br>DKK'000 |
|---|---|---|
| Statutory audit services | 610 | 525 |
| Other assurance engagements | 44 | 38 |
| Tax services | 0 | 85 |
| Other services | 596 | 145 |
| | **1,250** | **793** |

## 5 Staff costs

| | 2022 DKK'000 | 2021 DKK'000 |
|---|---|---|
| Wages and salaries | 312,780 | 325,181 |
| Pension costs | 23,329 | 23,174 |
| Other social security costs | 11,901 | 12,848 |
| Other staff costs | 311 | 135 |
| | **348,321** | **361,338** |
| Staff costs classified as assets | (116,588) | (131,299) |
| | **231,733** | **230,039** |

| | | |
|---|---|---|
| Average number of full-time employees | **888** | **1,056** |

| | Remuneration of manage-ment 2022 DKK'000 | Remuneration of manage-ment 2021 DKK'000 |
|---|---|---|
| Total amount for management categories | 3,061 | 3,788 |
| | **3,061** | **3,788** |

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

| | 2022 DKK'000 | 2021 DKK'000 |
|---|---|---|
| Amortisation of intangible assets | 21,339 | 2,818 |
| Depreciation on property, plant and equipment | 19,808 | 17,345 |
| Profit/loss from sale of intangible assets and property, plant and equipment | (389) | 0 |
| | **40,758** | **20,163** |

## 7 Tax on profit/loss for the year

| | 2022 DKK'000 | 2021 DKK'000 |
|---|---|---|
| Current tax | 1,640 | 10,074 |
| Change in deferred tax | (9,715) | (1,649) |
| Adjustment concerning previous years | (43) | (163) |
| | **(8,118)** | **8,262** |

## 8 Proposed distribution of profit/loss

| | 2022 DKK'000 | 2021 DKK'000 |
|---|---|---|
| Retained earnings | (99,713) | 26,828 |
| | **(99,713)** | **26,828** |

## 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 | (2,818) |
| Amortisation for the year | (21,339) |
| **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 | 50,470 | 76,155 | 30,592 | 6,755 |
| Exchange rate adjustments | (83) | (985) | 782 | 0 |
| Transfers | 0 | 0 | 0 | (6,755) |
| Additions | 1,992 | 9,670 | 2,653 | 3,468 |
| Disposals | 0 | (653) | (742) | 0 |
| **Cost end of year** | **52,379** | **84,187** | **33,285** | **3,468** |
| Depreciation and impairment losses beginning of year | (6,221) | (20,568) | (10,344) | 0 |
| Exchange rate adjustments | 20 | (253) | 363 | 0 |
| Depreciation for the year | (1,966) | (11,020) | (6,822) | 0 |
| Reversal regarding disposals | 0 | 528 | 245 | 0 |
| **Depreciation and impairment losses end of year** | **(8,167)** | **(31,313)** | **(16,558)** | **0** |
| **Carrying amount end of year** | **44,212** | **52,874** | **16,727** | **3,468** |
| 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 | 605 |
| Exchange rate adjustments | 10 |
| Additions | 614 |
| Disposals | (450) |
| **Cost end of year** | **779** |
| **Carrying amount end of year** | **779** |

## 12 Prepayments

Prepayments include prepaid costs.

## 13 Deferred tax

| | 2021 DKK'000 |
|---|---|
| Property, plant and equipment | 6,902 |
| Inventories | 10,025 |
| Provisions | (4,444) |
| Liabilities other than provisions | (1,668) |
| **Deferred tax** | **10,815** |

| **Changes during the year** | 2022 DKK'000 | 2021 DKK'000 |
|---|---|---|
| Beginning of year | 10,815 | 4,978 |
| Recognised in the income statement | (9,785) | 5,837 |
| **End of year** | **1,030** | **10,815** |

## 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 2022 DKK'000 | Due within 12 months 2021 DKK'000 | Due after more than 12 months 2022 DKK'000 | Outstanding after 5 years 2022 DKK'000 |
|---|---|---|---|---|
| Subordinate loan capital | 0 | 0 | 73,177 | 73,177 |
| Mortgage debt | 863 | 943 | 12,384 | 8,770 |
| Bank loans | 2,867 | 2,867 | 15,721 | 4,254 |
| Lease liabilities | 3,641 | 4,606 | 14,346 | 694 |
| Other payables | 0 | 0 | 26,816 | 26,816 |
| | **7,371** | **8,416** | **142,444** | **113,711** |

## 16 Changes in working capital

| | 2022 DKK'000 | 2021 DKK'000 |
|---|---|---|
| Increase/decrease in inventories | (13,438) | (129,876) |
| Increase/decrease in receivables | 47,615 | (16,250) |
| Increase/decrease in trade payables etc. | (42,378) | 31,353 |
| | **(8,201)** | **(114,773)** |

## 17 Unrecognised rental and lease commitments

| | 2022 DKK'000 | 2021 DKK'000 |
|---|---|---|
| Total liabilities under rental or lease agreements until maturity | **17,924** | **17,271** |

Of the above liability at 31.12.2022, DKK 12,868k 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 26,095k.

Bank debt is secured on a floating charge of a nominal value of DKK 126,372k. The floating charge comprises unsecured claims from sale, operating fixtures, operating equipment and inventories. The carrying amount of assets charged at 31.12.2022 totals DKK 570,204k.

Certain plant and machinery, fixtures and fittings, etc are funded through finance leases. The carrying amount of assets held under finance leases totals DKK 13,556k.

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

## 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 |
| Industriparken Kjellerup 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 2022

| | Notes | 2022<br>DKK'000 | 2021<br>DKK'000 |
|---|---|---|---|
| Revenue | 1 | 1,408,613 | 1,357,027 |
| Other operating income | | 127 | 1,906 |
| Cost of sales | 2 | (1,143,299) | (985,382) |
| Other external expenses | | (164,956) | (180,378) |
| **Gross profit/loss** | | **100,485** | **193,173** |
| | | | |
| Staff costs | 3 | (156,864) | (150,722) |
| Depreciation, amortisation and impairment losses | 4 | (33,557) | (8,894) |
| **Operating profit/loss** | | **(89,936)** | **33,557** |
| | | | |
| Income from investments in group enterprises | | (6,508) | 7,109 |
| Other financial income | | 6,069 | 3,690 |
| Other financial expenses | | (21,358) | (11,819) |
| **Profit/loss before tax** | | **(111,733)** | **32,537** |
| | | | |
| Tax on profit/loss for the year | 5 | 12,020 | (5,491) |
| **Profit/loss for the year** | 6 | **(99,713)** | **27,046** |

# Parent balance sheet at 31.12.2022

## Assets

| | Notes | 2022<br>DKK'000 | 2021<br>DKK'000 |
|---|---|---|---|
| Goodwill | | 0 | 0 |
| **Intangible assets** | 7 | **0** | **0** |
| Land and buildings | | 26,096 | 25,555 |
| Plant and machinery | | 33,080 | 21,942 |
| Other fixtures and fittings, tools and equipment | | 14,915 | 16,503 |
| Prepayments for property, plant and equipment | | 3,468 | 6,748 |
| **Property, plant and equipment** | 8 | **77,559** | **70,748** |
| Investments in group enterprises | | 127,374 | 132,578 |
| Deposits | | 764 | 165 |
| **Financial assets** | 9 | **128,138** | **132,743** |
| **Fixed assets** | | **205,697** | **203,491** |
| Raw materials and consumables | | 73,497 | 69,722 |
| Work in progress | | 42,419 | 26,562 |
| Manufactured goods and goods for resale | | 307,219 | 177,114 |
| Prepayments for goods | | 3,224 | 5,634 |
| **Inventories** | | **426,359** | **279,032** |
| Trade receivables | | 121,044 | 132,415 |
| Receivables from group enterprises | | 33,230 | 71,715 |
| Other receivables | | 10,059 | 7,965 |
| Joint taxation contribution receivable | | 6,539 | 0 |
| Prepayments | 10 | 2,021 | 1,921 |
| **Receivables** | | **172,893** | **214,016** |
| **Cash** | | **383** | **976** |
| **Current assets** | | **599,635** | **494,024** |
| **Assets** | | **805,332** | **697,515** |

## Equity and liabilities

| | Notes | 2022 DKK'000 | 2021 DKK'000 |
|---|---|---|---|
| Contributed capital | | 10,000 | 10,000 |
| Reserve for net revaluation according to equity method | | 31,341 | 38,279 |
| Retained earnings | | 48,667 | 141,875 |
| **Equity** | | **90,008** | **190,154** |
| | | | |
| Deferred tax | 11 | 0 | 5,481 |
| Other provisions | 12 | 4,032 | 4,221 |
| **Provisions** | | **4,032** | **9,702** |
| | | | |
| Subordinate loan capital | | 73,178 | 45,262 |
| Bank loans | | 15,721 | 18,580 |
| Lease liabilities | | 14,346 | 15,292 |
| Other payables | 13 | 22,087 | 21,620 |
| **Non-current liabilities other than provisions** | 14 | **125,332** | **100,754** |
| | | | |
| Current portion of non-current liabilities other than provisions | 14 | 6,508 | 6,535 |
| Bank loans | | 257,153 | 204,164 |
| Trade payables | | 79,264 | 91,135 |
| Payables to group enterprises | | 155,066 | 2,788 |
| Joint taxation contribution payable | | 0 | 4,918 |
| Other payables | 15 | 87,969 | 87,365 |
| **Current liabilities other than provisions** | | **585,960** | **396,905** |
| | | | |
| **Liabilities other than provisions** | | **711,292** | **497,659** |
| | | | |
| **Equity and liabilities** | | **805,332** | **697,515** |
| | | | |
| 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 2022

| | 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 | 38,279 | 141,875 | 190,154 |
| Exchange rate adjustments | 0 | (433) | 0 | (433) |
| Profit/loss for the year | 0 | (6,505) | (93,208) | (99,713) |
| **Equity end of year** | **10,000** | **31,341** | **48,667** | **90,008** |

# Notes to parent financial statements

## 1 Revenue

| | 2022<br>DKK'000 | 2021<br>DKK'000 |
|---|---|---|
| Revenue, Denmark | 76,051 | 78,460 |
| Revenue, Europe | 864,200 | 792,248 |
| Revenue, rest of the world | 468,362 | 486,319 |
| **Total revenue by geographical market** | **1,408,613** | **1,357,027** |

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

## 2 Cost of sales

Cost of sales includes DKK 116.588k relating to production wages.

## 3 Staff costs

| | 2022<br>DKK'000 | 2021<br>DKK'000 |
|---|---|---|
| Wages and salaries | 245,876 | 253,890 |
| Pension costs | 19,650 | 19,529 |
| Other social security costs | 7,688 | 8,467 |
| Other staff costs | 238 | 135 |
| | **273,452** | **282,021** |
| Staff costs classified as assets | (116,588) | (131,299) |
| | **156,864** | **150,722** |

| | | |
|---|---|---|
| Average number of full-time employees | **626** | 657 |

| | Remuneration of Manage-ment 2022 DKK'000 | Remuneration of Manage-ment 2021 DKK'000 |
|---|---|---|
| Total amount for management categories | 3,062 | 3,788 |
| | **3,062** | **3,788** |

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

| | 2022<br>DKK'000 | 2021<br>DKK'000 |
|---|---|---|
| Amortisation of intangible assets | 21,700 | 0 |
| Depreciation on property, plant and equipment | 11,857 | 8,894 |
| | **33,557** | **8,894** |

## 5 Tax on profit/loss for the year

| | 2022<br>DKK'000 | 2021<br>DKK'000 |
|---|---|---|
| Current tax | 0 | 4,918 |
| Change in deferred tax | (5,481) | 573 |
| Refund in joint taxation arrangement | (6,539) | 0 |
| | **(12,020)** | **5,491** |

## 6 Proposed distribution of profit and loss

| | 2022<br>DKK'000 | 2021<br>DKK'000 |
|---|---|---|
| Retained earnings | (99,713) | 27,046 |
| | **(99,713)** | **27,046** |

## 7 Intangible assets

| | Goodwill<br>DKK'000 |
|---|---|
| Additions | 21,700 |
| **Cost end of year** | **21,700** |
| Amortisation for the 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 | 30,708 | 30,176 | 25,797 | 6,748 |
| Transfers | 0 | 0 | 0 | (6,748) |
| Additions | 1,992 | 16,275 | 4,185 | 3,468 |
| Disposals | 0 | (13) | (741) | 0 |
| **Cost end of year** | **32,700** | **46,438** | **29,241** | **3,468** |
| Depreciation and impairment losses beginning of year | (5,153) | (8,234) | (9,294) | 0 |
| Depreciation for the year | (1,451) | (5,129) | (5,277) | 0 |
| Reversal regarding disposals | 0 | 5 | 245 | 0 |
| **Depreciation and impairment losses end of year** | **(6,604)** | **(13,358)** | **(14,326)** | **0** |
| **Carrying amount end of year** | **26,096** | **33,080** | **14,915** | **3,468** |
| Recognised assets not owned by entity | 0 | 0 | 13,556 | 0 |

## 9 Financial assets

| | Investments in group enterprises DKK'000 | Deposits DKK'000 |
|---|---|---|
| Cost beginning of year | 94,298 | 165 |
| Additions | 1,735 | 599 |
| **Cost end of year** | **96,033** | **764** |
| Revaluations beginning of year | 38,280 | 0 |
| Exchange rate adjustments | (432) | 0 |
| Amortisation of goodwill | (4,429) | 0 |
| Share of profit/loss for the year | 14,832 | 0 |
| Adjustment of intra-group profits | (16,910) | 0 |
| **Revaluations end of year** | **31,341** | **0** |
| **Carrying amount end of year** | **127,374** | **764** |

## 10 Prepayments

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

## 11 Deferred tax

| | 2022 DKK'000 | 2021 DKK'000 |
|---|---|---|
| Intangible assets | 625 | 0 |
| Property, plant and equipment | 4,617 | 4,315 |
| Inventories | 11,858 | 6,267 |
| Provisions | (3,957) | (4,171) |
| Liabilities other than provisions | (887) | (930) |
| Tax losses carried forward | (12,256) | 0 |
| **Deferred tax** | **0** | **5,481** |

| **Changes during the year** | 2022 DKK'000 | 2021 DKK'000 |
|---|---|---|
| Beginning of year | 5,481 | 4,908 |
| Recognised in the income statement | (5,481) | 573 |
| **End of year** | **0** | **5,481** |

## 12 Other provisions

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

## 13 Other payables

| | 2022 DKK'000 | 2021 DKK'000 |
|---|---|---|
| Holiday pay obligation | 22,087 | 21,620 |
| | **22,087** | **21,620** |

## 14 Non-current liabilities other than provisions

| | Due within 12 months 2022 DKK'000 | Due within 12 months 2021 DKK'000 | Due after more than 12 months 2022 DKK'000 | Outstanding after 5 years 2022 DKK'000 |
|---|---|---|---|---|
| Subordinate loan capital | 0 | 0 | 73,178 | 73,178 |
| Bank loans | 2,867 | 2,867 | 15,721 | 4,254 |
| Lease liabilities | 3,641 | 3,668 | 14,346 | 694 |
| Other payables | 0 | 0 | 22,087 | 22,087 |
| | **6,508** | **6,535** | **125,332** | **100,213** |

## 15 Other payables

| | 2022<br>DKK'000 | 2021<br>DKK'000 |
|---|---|---|
| VAT and duties | 208 | 210 |
| Wages and salaries, personal income taxes, social security costs, etc. payable | 15,641 | 24,415 |
| Holiday pay obligation | 19,783 | 19,620 |
| Other costs payable | 52,337 | 43,120 |
| | **87,969** | **87,365** |

## 16 Unrecognised rental and lease commitments

| | 2022<br>DKK'000 | 2021<br>DKK'000 |
|---|---|---|
| Total liabilities under rental or lease agreements until maturity | **9,685** | **7,081** |

Of the above liability at 31.12.2022, DKK 4.039k matures within 12 months.

## 17 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.

## 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 26,096k.

Bank debt is secured on a floating charge of a nominal value of DKK 160,000k. The floating charge com-prises unsecured claims from sale, operating fixtures, operating equipment and inventories. The carrying amount of assets charged at 31.12.2022 totals DKK 579.454k.

Certain plant and machinery, fixtures and fittings, etc are funded through finance leases. The carrying amount of assets held under finance leases totals DKK 13,556k.

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

## 19 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.

## 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.

**Other operating expenses**
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

**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.

**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.

**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.

**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.

**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.

**Prepayments received from customers**
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

**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.

**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.

## 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.