TVILUM ANNUAL REPORT 2021

The Annual Report General Meeting adopted the annual report 24.02.2022

Birger Østergaard Christensen
Chairman of the General Meeting

Tvilum A/S 2018
Egon Kristiansens Allé 2
8882 Fårvang
CVR No. 39323702

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Published by:

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Entity details

Entity
Tvilum A/S 2018
Egon Kristiansens Allé 2
8882 Fårvang

Business Registration No.: 39323702
Registered office: Silkeborg
Financial year: 01.01.2021 - 31.12.2021

Board of Directors
Peter Bager, chairman
Asbjørn Berge
Poul Kristiansen
Birger Østergaard Christensen
Torben Porsholdt

Executive Board
Torben Porsholdt, CEO

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 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021.

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, 24.02.2022

Executive Board

Torben Porsholdt
CEO

Board of Directors

Peter Bager
chairman

Asbjørn Berge

Poul Kristiansen

Birger Østergaard Christensen

Torben Porsholdt

Independent auditor's report

To the shareholders of Tvilum A/S 2018

Opinion

We have audited the consolidated financial statements and the parent financial statements of Tvilum A/S 2018 for the financial year 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021 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.

INDEPENDENT AUDITOR'S REPORT

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, 24.02.2022

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

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

Alexander Brix Kronborg
State Authorised Public Accountant
Identification No (MNE) mne47804

Management commentary

Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures				
Revenue	1,579,779	1,308,757	1,073,891	756,809
Gross profit/loss	299,257	268,621	225,558	213,183
Operating profit/loss	44,981	106,492	75,802	91,759
Net financials	(9,891)	(14,850)	(11,041)	(14,369)
Profit/loss for the year	26,828	71,249	50,055	59,197
Balance sheet total	816,946	501,178	459,537	363,645
Investments in property, plant and equipment	52,165	16,545	48,067	51,559
Equity	190,154	188,178	119,199	69,216
Cash flows from operating activities	(77,217)	101,505	(15,304)	(75,080)
Cash flows from investing activities	(114,842)	(13,873)	(9,518)	(74,124)
Cash flows from financing activities	196,811	22,699	(21,551)	92,415
Average number of employees	1,056	745	647	523
Ratios				
Gross margin (%)	18.94	20.52	21.00	28.17
Net margin (%)	1.70	5.44	4.66	7.82
Return on equity (%)	13,98	46,75	53,13	171,05
Equity ratio (%)	23.28	37.55	25.94	19.03
Revenue per employee	14,960	17,567	16,598	14,471
Solvency ratio including subordinate loan capital (%)	28,7	43,8	42,1	36,5

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

Gross margin (%):

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

Net margin (%):

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

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

Development in activities and finances

The financial statements cover the period from 1 January to 31 December 2021.

As in 2020, 2021 has been affected by Covid-19. The effect, however, has been significantly different from that of 2020, both in terms of sales, production, purchase and distribution.

The beginning of the year showed continuously increasing sales, which characterised 2020, after which demand stabilised at a satisfactory level, so that revenue in almost all markets has increased in 2021 compared to 2020.

Tvilum's market coverage is characterised by a large geographical spread, and the number of customers across the markets remains at an unchanged high level, which means that the risk associated with single markets and single customers remains small.

During 2021, the heavily rising purchase and transport prices have shown a significant impact on earnings. The most important reason for this has been that Tvilum's derivative increase in sales prices was initiated on the basis of the applicable notice rules, thus resulting in a temporary decline in earnings.

At the same time, the instability in the raw material markets has continued from 2020 into 2021, which has been challenging in relation to maintaining a stable flow in production. Despite this, 2021 has proceeded with high capacity utilisation, which is satisfactory in itself.

As part of Tvilum's strategy of targeted expansion of the product range, Steens Group A/S was acquired with effect from 26 May 2021. The acquisition adds a well-developed children's furniture programme, among other things, which Tvilum did not have in its product range. Moreover, the product programme from Steens is based on solid wood and MDF, which makes the new, overall programme more complete - and the target group for the group's furniture is thus significantly expanded. The integration of Steens Group was initiated in continuation of the acquisition and is expected to be finalised in 2022.

Income statement

Tvilum's revenue shows a total increase of DKK 271m compared to 2020. Of this, DKK 123.2m comes from the acquisition of Steens Group, and the remaining DKK 147.8m thus constitutes the growth in revenue in Tvilum excl. Steens Group, equivalent to a growth rate of 11.3% compared to 2020. Despite the very sharp increases in raw material prices and freight rates, EBITDA represents a profit totalling DKK 65.1m (4.1%), which is DKK 52.6m lower than 2020.

In outline, the financial performance is shown as follows:

mDKK	2021	2020	2019*	2018*
Revenue	1.579,8	1.308,8	1.073,9	756,8
EBITDA	65,1	117,7	82,4	95,4
Badwill*	-	-	24,0	108,0
EBITDA excl badwill	**65,1**	**117,7**	**58,4**	**-12,6**
EBITDA%	*4,1%*	*9,0%*	*5,4%*	*-1,7%*

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

Given the external circumstances, Management considers profit for 2021 to be less satisfactory.

The Board of Directors recommends that no dividend be paid for 2021.

Balance sheet
The Group's balance sheet amounts to DKK 816.9m. This is a significant increase compared to 2020, which should be seen in the light of the acquisition of Steens Group. The business is financed by cash from operations as well as loans from Nykredit.

The Company's solvency ratio stands at 28.7% in 2021 compared to 43.8% at the end of 2019. The sharply rising raw material prices and the following increase in sales prices have resulted in nominal growth on both items, which together with the acquisition of Steens Group affects the solvency ratio compared to 2020.

Cash flow statement
In 2021, the Company generated cash flows from operating activities of DKK -77.2m, primarily relating to the operating profit of DKK 44.9m as well as an increase in working capital of DKK 114.8m – relating to rising raw material prices and the acquisition of Steens Group, among other reasons. Cash flows from investing activities amount to DKK -114.8m of which DKK 91.8m relates to the acquisition of Steens Group. Cash flows from financing activities amount to DKK 196.8m, including a change in business credit and financing of the acquisition of Steens Group.

Profit/loss for the year in relation to expected developments

As mentioned, the result for 2021 is regarded as less satisfactory, under the given circumstances in 2021 – especially with regards to the significant and swift increases in raw material and transport prices, and the delayed counter-balancing effect coming from the implemented increases in the sales prices to our customers. With this in mind, as well as an expected stabilization of the raw material prices in 2022, it is expected that the financial result in 2022 will show an improvement vs. 2021.

Outlook

Management expects the development in 2022 to show improved operating earnings compared to 2021. This is based on an expectation of a continued high level of activity, stabilisation in raw material prices, and the result of a successful integration of Steens Group in all Tvilum activities.

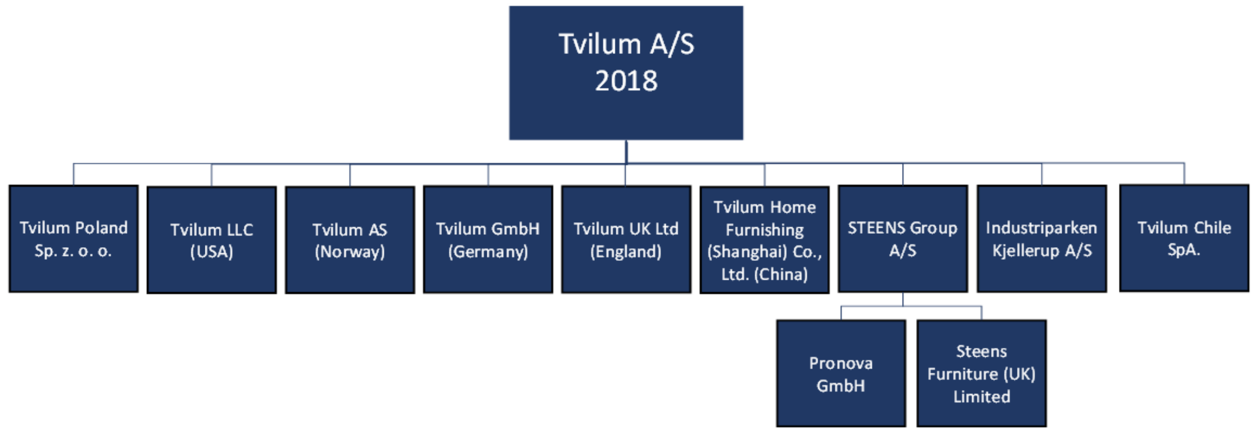
Particular risks

Supply risks
In continuation of 2020, the Company has broadened its supplier base and works actively to implement a strategy on buying the same product from multiple suppliers in order to minimise risk from single suppliers.

Currency risks
The majority of trade is settled in EUR and DKK. EUR is used for payments of Danish and foreign suppliers where payment in these currencies has been agreed. In addition, USD is used to settle trade in USA.

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

Group relations



Statutory report on corporate social responsibility

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

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

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

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

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

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

The Board consists of the owners as well as 2 external elected professionals. The target for the Company is to fill seats on the Board with persons that possess the best qualifications for the performance of the Board work. There has been no election for the Board in 2021, and it is still the intention to have 20% mixed gender representation on the Board by 2025.
The management of the Company consists of both men and women. At the end of 2021, 29% or 2 out of 7 of the senior management team were women. The policy of the Company encourages women to apply for vacant positions in the Company, and the Company calls upon recruitment agencies to present mixed gender candidates for open positions. We will continue this approach in 2022.

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

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

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

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

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

The Code of Conduct lays down the minimum requirements for both own as well as suppliers' behaviour. Tvilum Code of Conduct is based on the eight core conventions defined in the Fundamental Principles of Rights at Work, ILO declaration June 1998, the Rio Declaration on Sustainable Development 1992, The UN Johannesburg Summit on Sustainable Development and the Ten Principles of the UN Global Compact 2000. Tvilum recognises the fundamental principles of Human Rights, as defined by the "Universal Declaration of Human Rights" (United Nations 1948) and adheres to UN decisions regarding trade boycotts and embargoes. At the end of 2021, Tvilum cooperates with 56 suppliers, who have signed the Tvilum Code of Conduct, and this number is expected to increase during 2022 as we will continue in 2022 making our cooperation with new suppliers subject to their signing of the Tvilum Code of Conduct.

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

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right collective bargaining;
Principle 4: The elimination of all forms of forced and compulsory labour;
Principle 5: The effective abolition of child labour; and
Principle 6: The elimination of discrimination in respect of employment and occupation.

Tvilum has two manufacturing sites in Denmark. The average number of employees during the year was 669 (converted into full-time employees). At the time of writing this report, the youngest employee is 18 years old, and the oldest is 75 years old. The distribution of employees includes several nationalities of which 30.8% are women.
The Company endorses free choice of labour unions and dialogue with employee representatives to ensure a good respectful working environment. Moreover, the employee safety is addressed at board level every month as well as in the management teams in the Company to secure a safe working environment. It is Management's assessment that the efforts in 2021 have contributed to maintaining a high level of safety and well-being at Tvilum. This effort will be maintained in 2022.

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

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

Environment
Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: Take steps to promote greater environmental responsibility;
Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

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

Wood is a recyclable, biodegradable and renewable material and thus an environment friendly product - provided it comes from sustainable forests. The Company is a member of PEFC and FSC. We consider them the major certification sources for sustainable forests. Our major supplier of chipboards during 2021 utilises recycled wood for the production of new boards. Therefore, the chipboards received from there in 2021 contained an average of more than 80% recycled material.

The excess chipboard from production is naturally utilised as well – what isn't applied for energy utilisation on site, is recycled at aforementioned supplier. The Company strives to be able to send as much waste as possible to recycling. Through a long-term effort, the percentage of chipboard waste not recycled in 2021 was 0%.

Reducing energy consumption is and has been an ongoing project. During 2021, the effort resulted in further 4.2% reductions of the energy consumption compared with production hours and total produced single items compared to 2020. The savings shall be seen as a result of production efficiency increase, involvement and focus on behaviour of employees, and specific projects dealing with air-compressor system, dust extraction, forklifts and lights.

In the efforts in becoming more energy efficient Tvilum holds an energy management system, which is certified according to ISO 50001. In 2021, an energy saving of 3.0% (kWh/pcs.) was obtained compared to 2020. According to the energy management review for 2021, the energy saving target for 2022 is a reduction of 3.5%.

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

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

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

Sourcing is the overall activity where corruption is a recurring risk. Sourcing of wood has been a focal point for the Company. The threat of buying illegal harvested wood is ongoing, and the harvesting of illegal wood is an increasing problem for local societies and the environment in general. Material is often traded through many companies in the supply chain, crossing borders and regions while losing origin information. The Company has fully implemented the EU Timber Regulation (EUTR), ensuring our wood material comes from legal sources. The risk of illegally logged wood and lack of traceable evidence has resulted in avoiding some sources. Wood is the number one material we use. Our preferred sources of wood materials are from PEFC- or FSC-certified sources, and this will continue to be the case in 2022.

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

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

Consolidated income statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Revenue	1	1,579,779	1,308,757
Other operating income	2	2,581	205
Cost of sales	3	(1,135,733)	(927,498)
Other external expenses	4	(147,370)	(112,843)
Gross profit/loss		**299,257**	**268,621**
Staff costs	5	(230,039)	(151,902)
Depreciation, amortisation and impairment losses	6	(20,163)	(10,227)
Other operating expenses		(4,074)	0
Operating profit/loss		**44,981**	**106,492**
Other financial income		4,047	3,880
Other financial expenses		(13,938)	(18,730)
Profit/loss before tax		**35,090**	**91,642**
Tax on profit/loss for the year	7	(8,262)	(20,393)
Profit/loss for the year	8	**26,828**	**71,249**

Consolidated balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Goodwill		21,339	0
Intangible assets	9	**21,339**	**0**
Land and buildings		44,249	30,430
Plant and machinery		55,587	39,685
Other fixtures and fittings, tools and equipment		20,248	15,711
Prepayments for property, plant and equipment		6,755	7,189
Property, plant and equipment	10	**126,839**	**93,015**
Deposits		605	483
Financial assets	11	**605**	**483**
Fixed assets		**148,783**	**93,498**
Raw materials and consumables		95,755	76,955
Work in progress		71,656	22,376
Manufactured goods and goods for resale		282,438	146,680
Prepayments for goods		5,634	4,363
Inventories		**455,483**	**250,374**
Trade receivables		176,002	139,163
Other receivables		21,988	9,035
Prepayments	12	2,769	1,939
Receivables		**200,759**	**150,137**
Cash		**11,921**	**7,169**
Current assets		**668,163**	**407,680**
Assets		**816,946**	**501,178**

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		10,000	10,000
Revaluation reserve		173	0
Retained earnings		179,981	178,178
Equity		**190,154**	**188,178**
Deferred tax	13	10,815	4,978
Other provisions	14	7,578	3,205
Provisions		**18,393**	**8,183**
Subordinate loan capital		45,263	31,465
Mortgage debt		13,226	0
Bank loans		18,581	21,440
Lease liabilities		15,300	10,848
Other payables	15	27,882	22,080
Non-current liabilities other than provisions	16	**120,252**	**85,833**
Current portion of non-current liabilities other than provisions	16	8,416	5,080
Bank loans		252,022	64,175
Prepayments received from customers		828	0
Trade payables		113,827	60,605
Tax payable		2,559	620
Joint taxation contribution payable		0	16,088
Other payables		110,495	72,416
Current liabilities other than provisions		**488,147**	**218,984**
Liabilities other than provisions		**608,399**	**304,817**
Equity and liabilities		**816,946**	**501,178**
Unrecognised rental and lease commitments	18		
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Consolidated statement of changes in equity for 2021

	Contributed capital DKK'000	Revaluation reserve DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000	Total DKK'000
Equity beginning of year	10,000	0	178,178	0	188,178
Extraordinary dividend paid	0	0	0	(25,000)	(25,000)
Exchange rate adjustments	0	0	(25)	0	(25)
Revaluations for the year	0	222	0	0	222
Tax of entries on equity	0	(49)	0	0	(49)
Profit/loss for the year	0	0	1,828	25,000	26,828
Equity end of year	**10,000**	**173**	**179,981**	**0**	**190,154**

Consolidated cash flow statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Operating profit/loss		44,981	106,492
Amortisation, depreciation and impairment losses		20,163	10,211
Other provisions		4,373	0
Working capital changes	17	(114,773)	14,563
Cash flow from ordinary operating activities		**(45,256)**	**131,266**
Financial income received		4,041	3,880
Financial expenses paid		(13,918)	(18,730)
Taxes refunded/(paid)		(22,084)	(14,911)
Cash flows from operating activities		**(77,217)**	**101,505**
Acquisition etc. of property, plant and equipment		(23,235)	(13,869)
Sale of property, plant and equipment		0	16
Acquisition of fixed asset investments		0	(282)
Sale of fixed asset investments		150	262
Acquisition of enterprises		(91,757)	0
Cash flows from investing activities		**(114,842)**	**(13,873)**
Free cash flows generated from operations and investments before financing		**(192,059)**	**87,632**
Loans raised		225,604	70,355
Repayments of loans etc.		(3,793)	(47,656)
Dividend paid		(25,000)	0
Cash flows from financing activities		**196,811**	**22,699**

Increase/decrease in cash and cash equivalents	**4,752**	**110,331**
Cash and cash equivalents beginning of year	7,169	(103,162)
Cash and cash equivalents end of year	**11,921**	**7,169**

Cash and cash equivalents at year-end are composed of:

Cash	11,921	7,169
Cash and cash equivalents end of year	**11,921**	**7,169**

Notes to consolidated financial statements

1 Revenue

	2021 DKK'000	2020 DKK'000
Revenue, Denmark	94,114	69,772
Revenue Europe	959,143	814,572
Revenue, rest of the world	526,522	424,413
Total revenue by geographical market	**1,579,779**	**1,308,757**

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

2 Other operating income

	2021 DKK'000	2020 DKK'000
Other operating income	2,581	205
	2,581	**205**

Staff costs includes received compensation relating to wages as a results of the outbreak and spread of Covid-19 in 2021 only a regulation to the amount payable of DKK (543)k. (2020: DKK 14.993k).

3 Cost of sales

Cost of sales includes DKK 131.299k relating to production wages (2020: 115.373k).

4 Fees to the auditor appointed by the Annual General Meeting

	2021 DKK'000	2020 DKK'000
Statutory audit services	525	294
Other assurance engagements	38	0
Tax services	85	83
Other services	145	302
	793	**679**

5 Staff costs

	2021 DKK'000	2020 DKK'000
Wages and salaries	325,181	240,081
Pension costs	23,174	17,888
Other social security costs	12,848	9,174
Other staff costs	135	132
	361,338	**267,275**
Staff costs classified as assets	(131,299)	(115,373)
	230,039	**151,902**

Average number of full-time employees	1,056	745

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

	2021 DKK'000	2020 DKK'000
Amortisation of intangible assets	2,818	0
Depreciation on property, plant and equipment	17,345	10,227
	20,163	**10,227**

7 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Current tax	10,074	17,806
Change in deferred tax	(1,649)	2,357
Adjustment concerning previous years	(163)	230
	8,262	**20,393**

8 Proposed distribution of profit/loss

	2021 DKK'000	2020 DKK'000
Retained earnings	26,828	71,249
	26,828	**71,249**

9 Intangible assets

	Goodwill DKK'000
Additions	24,157
Cost end of year	**24,157**
Amortisation for the year	(2,818)
Amortisation and impairment losses end of year	**(2,818)**
Carrying amount end of year	**21,339**

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	34,866	50,007	21,186	7,189
Addition through business combinations etc	8,483	12,090	730	0
Exchange rate adjustments	(42)	(288)	187	0
Transfers	0	0	0	(7,189)
Additions	463	14,629	9,015	6,755
Disposals	0	(283)	(526)	0
Cost end of year	**43,770**	**76,155**	**30,592**	**6,755**
Addition through business combinations etc	6,700	0	0	0
Revaluations end of year	**6,700**	**0**	**0**	**0**
Depreciation and impairment losses beginning of year	(4,436)	(10,322)	(5,475)	0
Exchange rate adjustments	6	46	25	0
Depreciation for the year	(1,791)	(10,427)	(5,127)	0
Reversal regarding disposals	0	135	233	0
Depreciation and impairment losses end of year	**(6,221)**	**(20,568)**	**(10,344)**	**0**
Carrying amount end of year	**44,249**	**55,587**	**20,248**	**6,755**
Recognised assets not owned by Entity	0	0	16,426	0

11 Financial assets

	Deposits DKK'000
Cost beginning of year	483
Addition through business combinations etc	29
Exchange rate adjustments	27
Additions	66
Cost end of year	**605**
Carrying amount end of year	**605**

12 Prepayments

Prepayments include prepaid costs relating to the Groups operations.

13 Deferred tax

	2021 DKK'000	2020 DKK'000
Property, plant and equipment	6,902	3,508
Inventories	10,025	5,043
Provisions	(4,444)	(2,868)
Liabilities other than provisions	(1,668)	(705)
Deferred tax	**10,815**	**4,978**

Changes during the year	2021 DKK'000	2020 DKK'000
Beginning of year	4,978	2,804
Recognised in the income statement	5,837	2,174
End of year	**10,815**	**4,978**

14 Other provisions

Other provisions include the groups assessed liabilities related to complaints etc., based on historical experience including an extraordinary provision regarding the business combination between Tvilum & Steens Group in 2021.

15 Other payables

	2021 DKK'000	2020 DKK'000
Holiday pay obligation	27,882	22,080
	27,882	**22,080**

16 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK'000	Due within 12 months 2020 DKK'000	Due after more than 12 months 2021 DKK'000	Outstanding after 5 years 2021 DKK'000
Subordinate loan capital	0	0	45,263	31,465
Mortgage debt	943	0	13,226	0
Bank loans	2,867	2,867	18,581	7,114
Lease liabilities	4,606	2,213	15,300	1,978
Other payables	0	0	27,882	21,620
	8,416	**5,080**	**120,252**	**62,177**

17 Changes in working capital

	2021 DKK'000	2020 DKK'000
Increase/decrease in inventories	(129,876)	(31,509)
Increase/decrease in receivables	(16,250)	(10,283)
Increase/decrease in trade payables etc.	31,353	58,626
Other changes	0	(2,271)
	(114,773)	**14,563**

18 Unrecognised rental and lease commitments

	2021 DKK'000	2020 DKK'000
Total liabilities under rental or lease agreements until maturity	17,271	27,633

Of the above liability at 31.12.2021, DKK 10,516k matures within 12 month.

19 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 25,555k.

Bank debt is secured on a floating charge of a nominal value of DKK 120,000k. The floating charge comprises unsecured claims from sale, operating fixtures, operating equipment and inventories. The carrying amount of assets charged at 31.12.2021 totals DKK 411,919k.

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

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

20 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.

21 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.

22 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 2021

	Notes	2021 DKK'000	2020 DKK'000
Revenue	1	1,357,031	1,233,484
Other operating income	2	1,906	199
Cost of sales	3	(985,382)	(867,067)
Other external expenses		(180,382)	(138,671)
Gross profit/loss		**193,173**	**227,945**
Staff costs	4	(150,722)	(124,059)
Depreciation, amortisation and impairment losses	5	(8,894)	(6,109)
Operating profit/loss		**33,557**	**97,777**
Income from investments in group enterprises		7,109	6,565
Other financial income		3,690	3,879
Financial expenses from group enterprises		0	(1,019)
Other financial expenses		(11,819)	(17,480)
Profit/loss before tax		**32,537**	**89,722**
Tax on profit/loss for the year	6	(5,491)	(18,473)
Profit/loss for the year	7	**27,046**	**71,249**

Parent balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Land and buildings		25,555	26,449
Plant and machinery		21,942	12,834
Other fixtures and fittings, tools and equipment		16,503	13,284
Prepayments for property, plant and equipment		6,748	7,189
Property, plant and equipment	8	**70,748**	**59,756**
Investments in group enterprises		132,578	33,560
Deposits		165	165
Financial assets	9	**132,743**	**33,725**
Fixed assets		**203,491**	**93,481**
Raw materials and consumables		69,722	69,432
Work in progress		26,562	20,139
Manufactured goods and goods for resale		177,114	132,387
Prepayments for goods		5,634	4,363
Inventories		**279,032**	**226,321**
Trade receivables		132,415	135,725
Receivables from group enterprises		71,715	31,648
Other receivables		7,965	9,035
Prepayments	10	1,921	1,873
Receivables		**214,016**	**178,281**
Cash		**976**	**2,368**
Current assets		**494,024**	**406,970**
Assets		**697,515**	**500,451**

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		10,000	10,000
Reserve for net revaluation according to equity method		38,279	31,019
Retained earnings		141,875	147,159
Equity		**190,154**	**188,178**
Deferred tax	11	5,481	4,908
Other provisions	12	4,221	3,205
Provisions		**9,702**	**8,113**
Subordinate loan capital		45,262	31,465
Bank loans		18,580	21,440
Lease liabilities		15,292	10,822
Other payables	13	21,620	22,080
Non-current liabilities other than provisions	14	**100,754**	**85,807**
Current portion of non-current liabilities other than provisions	14	6,535	5,080
Bank loans		204,164	64,175
Trade payables		91,135	56,648
Payables to group enterprises		2,788	155
Joint taxation contribution payable		4,918	16,088
Other payables	15	87,365	76,207
Current liabilities other than provisions		**396,905**	**218,353**
Liabilities other than provisions		**497,659**	**304,160**
Equity and liabilities		**697,515**	**500,451**
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 2021

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000	Total DKK'000
Equity beginning of year	10,000	31,019	147,159	0	188,178
Extraordinary dividend paid	0	0	0	(25,000)	(25,000)
Exchange rate adjustments	0	(70)	0	0	(70)
Profit/loss for the year	0	7,330	(5,284)	25,000	27,046
Equity end of year	**10,000**	**38,279**	**141,875**	**0**	**190,154**

Notes to parent financial statements

1 Revenue

	2021 DKK'000	2020 DKK'000
Revenue, Denmark	78,460	69,580
Revenue, Europe	792,248	740,657
Revenue, rest of the world	486,323	423,247
Total revenue by geographical market	**1,357,031**	**1,233,484**

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

2 Other operating income

Staff costs includes received compensation relating to wages as a results of the outbreak and spread of Covid-19 in 2021 only a regulation to the amount payable of DKK (543)k. (2020: DKK 14.993k).

3 Cost of sales

Cost of sales includes DKK 131.299k relating to production wages.

4 Staff costs

	2021 DKK'000	2020 DKK'000
Wages and salaries	253,890	216,009
Pension costs	19,529	17,482
Other social security costs	8,467	5,814
Other staff costs	135	127
	282,021	**239,432**
Staff costs classified as assets	(131,299)	(115,373)
	150,722	**124,059**

Average number of full-time employees	657	577

	Remuneration of Management 2021 DKK'000
Total amount for management categories	3,788
	3,788

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

5 Depreciation, amortisation and impairment losses

	2021 DKK'000	2020 DKK'000
Depreciation on property, plant and equipment	8,894	6,109
	8,894	**6,109**

6 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Current tax	4,918	16,088
Change in deferred tax	573	2,357
Adjustment concerning previous years	0	28
	5,491	**18,473**

7 Proposed distribution of profit and loss

	2021 DKK'000	2020 DKK'000
Retained earnings	27,046	71,249
	27,046	**71,249**

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	30,245	18,042	18,303	7,189
Transfers	0	0	0	(7,189)
Additions	463	12,146	8,020	6,748
Disposals	0	(12)	(526)	0
Cost end of year	**30,708**	**30,176**	**25,797**	**6,748**
Depreciation and impairment losses beginning of year	(3,796)	(5,208)	(5,019)	0
Depreciation for the year	(1,357)	(3,029)	(4,508)	0
Reversal regarding disposals	0	3	233	0
Depreciation and impairment losses end of year	**(5,153)**	**(8,234)**	**(9,294)**	**0**
Carrying amount end of year	**25,555**	**21,942**	**16,503**	**6,748**
Recognised assets not owned by entity	0	0	16,426	0

9 Financial assets

	Investments in group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	2,541	165
Additions	91,757	0
Cost end of year	**94,298**	**165**
Revaluations beginning of year	31,019	0
Exchange rate adjustments	(69)	0
Amortisation of goodwill	(2,596)	0
Share of profit/loss for the year	9,926	0
Revaluations end of year	**38,280**	**0**
Carrying amount end of year	**132,578**	**165**

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

The carrying amount of investments in group enterprises is composed of a net asset value of the group enterprises of DKK 111.214k and goodwill with an book value of DKK 21.339k

10 Prepayments

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

11 Deferred tax

	2021 DKK'000	2020 DKK'000
Property, plant and equipment	4,315	3,438
Inventories	6,267	5,043
Provisions	(4,171)	(2,868)
Liabilities other than provisions	(930)	(705)
Deferred tax	**5,481**	**4,908**

Changes during the year	2021 DKK'000	2020 DKK'000
Beginning of year	4,908	2,551
Recognised in the income statement	573	2,357
End of year	**5,481**	**4,908**

12 Other provisions

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

13 Other payables

	2021 DKK'000	2020 DKK'000
Holiday pay obligation	21,620	22,080
	21,620	**22,080**

14 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK'000	Due within 12 months 2020 DKK'000	Due after more than 12 months 2021 DKK'000	Outstanding after 5 years 2021 DKK'000
Subordinate loan capital	0	0	45,262	31,465
Bank loans	2,867	2,867	18,580	7,114
Lease liabilities	3,668	2,213	15,292	1,978
Other payables	0	0	21,620	21,620
	6,535	**5,080**	**100,754**	**62,177**

15 Other payables

	2021 DKK'000	2020 DKK'000
VAT and duties	210	305
Wages and salaries, personal income taxes, social security costs, etc. payable	24,415	32,847
Holiday pay obligation	19,620	15,220
Other costs payable	43,120	27,835
	87,365	**76,207**

16 Unrecognised rental and lease commitments

	2021 DKK'000	2020 DKK'000
Total liabilities under rental or lease agreements until maturity	7,081	7,812

Of the above liability at 31.12.2021, DKK 2.932k 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 25,555k.

Bank debt is secured on a floating charge of a nominal value of DKK 120,000k. The floating charge com-prises unsecured claims from sale, operating fixtures, operating equipment and inventories. The carrying amount of assets charged at 31.12.2021 totals DKK 411.919k.

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

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

19 Related parties with controlling interest

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.

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:

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

Estimated useful lives and residual values are reassessed annually.

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

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

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

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

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

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

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

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

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

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

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

Cash
Cash comprises cash in hand and bank deposits.

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

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

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

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

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

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

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.

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.

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