



MIE5 Datterholding 9 ApS

Kuglegårdsvej 1
1434 Copenhagen
CVR No. 41918217

Annual report 2023

The Annual General Meeting adopted the annual report on 24.06.2024

Thomas Riis

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management on the annual report	3
Independent auditor's report	4
Management commentary	7
Consolidated income statement for 2023	14
Consolidated balance sheet at 31.12.2023	15
Consolidated statement of changes in equity for 2023	17
Consolidated cash flow statement for 2023	18
Notes to consolidated financial statements	20
Parent income statement for 2023	25
Parent balance sheet at 31.12.2023	26
Parent statement of changes in equity for 2023	28
Notes to parent financial statements	29
Accounting policies	31

Entity details

Entity

MIE5 Datterholding 9 ApS

Kuglegårdsvej 1

1434 Copenhagen

Business Registration No.: 41918217

Date of foundation: 03.12.2020

Registered office: Copenhagen

Financial year: 01.01.2023 - 31.12.2023

Executive Board

Thomas Riis

Kristoffer Møller Pedersen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of MIE5 Datterholding 9 ApS for the financial year 01.01.2023 - 31.12.2023.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023.

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

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

Copenhagen, 24.06.2024

Executive Board

Thomas Riis

Kristoffer Møller Pedersen

Independent auditor's report

To the shareholders of MIE5 Datterholding 9 ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of MIE5 Datterholding 9 ApS for the financial year 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in

Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

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

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required by relevant law and regulations.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Copenhagen, 24.06.2024

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bjørn Winkler Jakobsen

State Authorised Public Accountant
Identification No (MNE) mne32127

Hans Tauby

State Authorised Public Accountant
Identification No (MNE) mne44339

Management commentary

Financial highlights

	2023	2022	2020/21
	DKK'000	DKK'000	DKK'000
Key figures			
Revenue	371,206	405,428	423,359
Gross profit/loss	111,525	126,203	117,030
EBITDA	52,945	76,158	80,865
Operating profit/loss	21,798	44,971	49,860
Net financials	(14,990)	(12,257)	(9,768)
Profit/loss for the year	(2,478)	23,190	26,285
Balance sheet total	588,906	634,535	664,179
Investments in property, plant and equipment	682	1,455	4,750
Equity	331,319	335,110	311,537
Cash flows from operating activities	57,456	31,912	8,008
Cash flows from investing activities	(1,813)	(1,544)	(523,609)
Cash flows from financing activities	(35,703)	(23,250)	532,196
Ratios			
Gross margin (%)	30.04	31.13	27.64
Net margin (%)	(0.67)	5.72	6.21
Equity ratio (%)	56.26	52.81	46.91

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

Gross margin (%):

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

Revenue

Net margin (%):

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

Revenue

Equity ratio (%):

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

Balance sheet total

Primary activities

ferm LIVING is a distinct brand with the primary activity to design, develop and distribute its portfolio of interior design products across its numerous retail and e-tail partners all over the world. From their home in Copenhagen, they blend authentic design and responsible thinking to create honest collections for your home. Objects that embrace the contrasts in life, so you can create space to feel comfortably you. They create collections of furniture, accessories, and lighting, for all rooms in the home. Their products are sold worldwide in more than 85 countries with main markets in Europe and North America. The company was founded in 2006 by Trine Andersen in Denmark and participant of UN Global Compact.

Development in activities and finances

The challenging market conditions from 2022 continued in 2023, due to numerous external factors with high inflation, increased interest cost resulting in reduced disposable income and the low consumer sentiment.

The company has continued to launch new accessory products and expanded the furniture and lighting collection to complement the existing collections and brand universe. The 2023 collections have performed well and represent 15% of orders in the year and the growth in the furniture and lighting categories has continued to now 45% of the total revenue.

The brand is available at retailers and e-tailers in more than 85 countries and worldwide on the company's own website. The dedicated work with existing partners in strategic and key markets continues to develop the business and new branded concept presentations have been established in several major cities. Furthermore, the company collaborates with key B2B contract dealers in main markets to promote the brand to office, the hospitality sector, and others in the professional market.

The Brand continues to experience strong interest and is investing significantly in growing awareness of the brand and traffic to the website, which hosted more than 5 million sessions (+24%) and the social media community increased 15% and surpassed 1,5 million followers. A very clear testament that the brand is well established and with strong future potential.

Given the diverse product assortment, geographical spread, and multiple sales channels, the company managed despite challenging market conditions to maintain respectable sales levels resulting in 335 MDKK in ferm LIVING Aps and 371 MDKK in revenue (at consolidated group level), a decline of ÷8% compared to 2022.

Consequently, the company made organizational changes reducing the workforce to align with the lower revenue levels, while at the same time realigning positions towards growth opportunities. Following the wish from the company founder transitioning to the board, a new Head of Design has been joining the team and other key positions strengthen the organization for future development of the company. New suppliers were onboarded, and relationships developed further with existing suppliers. During the year, the company has continued to invest in improvements of IT systems to make operation more efficient and significant upgrades to the business intelligence system were implemented.

Profit/loss for the year in relation to expected developments

The overall cost base has increased during the year as anticipated, to ensure appropriate operational capability to continue the growth journey. With a slow-down in sales, this means profit for the year is less than both planned and last year. However, given the market situation and conditions, still an acceptable level.

Unusual circumstances affecting recognition and measurement

Management reports and books have been thoroughly analysed by auditors and do not foresee any uncertainty in the reporting.

Outlook

The Board and Management expects return to positive development of the company with its attractive market position both online and offline. Thanks to a strong brand, iconic and popular products, and a growing loyal customer base there are good long-term growth possibilities. The company will invest in resources and tools to further strengthen the operation combined with strategic initiatives aiming for revenue growth. However, given the current market conditions and uncertainty, the company expects growth to be modest in 2024 at a consolidated revenue levels in the range of 370-400 MDKK.

Environmental performance

As a part of the global consumer industry GHG emissions are a risk. Therefore, the company has for many years been working with sustainability and in the period this work has been intensified to outline the ESG strategy. The company continues to actively improve the CSR profile with FSC and BSCI certifications and initiative to measure Co2 impact. As member of UN Global Compact and a dedicated internal resource working with continued improvement of the environmental performance. The company has identified it's 2030 commitments and actively working on it. Please see <https://fermliving.com/pages/sustainability> for further details.

ferm LIVING works with certifications and testing to ensure working conditions in the supply chain are safe and fair and that products are responsibly produced and of high quality. The company currently works with the following certifications: GOTS (The Global Organic Textile Standard), OCS (The Organic Content Standard), FSC™ (The Forest Stewardship Council), and BSCI (Business Social Compliance Initiative).

With the launch of new products in the year the share of responsible products increased to 33% and target for the coming year is to reach 36%. Climate screening of almost 200 products performed in effort to establish CO2 baseline, which is expected to be complete during summer 2024. The number of responsible suppliers increased to 54% and target to reach 60% in 2024.

Group relations



MIE 5 Datterholding 9 ApS is part of the Danish private equity fund Maj Invest Equity 5 K/S. The current structure is deemed appropriate in relation to the need for financial flexibility and stability in the Group.

Foreign branches

During the year the company has taken over the development of the Norwegian market from its agent and establishment of a Norwegian subsidiary will take place with own employees and showroom in Oslo.

Statutory report on corporate social responsibility

For a description of the Group's business model, please refer to the section above "Principal activities".

As a global company, firm LIVING is aware that there may be risk across the business when operating in areas where human rights, labour, environment, ethics, and anti-corruption may differ from Denmark. Hence there is focus on these risks including setting the tone at the top to align the values throughout the Group to comply with international rules and regulations and expecting the same from our stakeholders. Secondly, employees are being trained on guidelines within these areas.

The company joined the UN Global Compact in 2021 and is committed to the Ten Principles of the UNGC for responsible business conduct within the areas of human rights, labour, environment, and anticorruption.

The company takes ESG very seriously as we believe it's not only crucial for the environment that we treat natural resources better, but also that it is becoming business critical and necessary to succeed in the market.

The company has selected a series of key performance indicators related to three Sustainable Development Goals. These indicators will serve as a contributor to the development of the ESG profile of the company and contribute to the efforts and goals set out by the UN and the 2030 agenda.

Furthermore, the company has since 2017 been reporting on ESG (Environmental, Social, and Governance) topics to its Board of Directors and the Management is responsible for ensuring the ESG strategy is implemented.

Human Rights

The Company recognise the importance of maintaining and promoting basic human rights throughout the operations and has joined the UN Universal Declaration of Human Rights, which states, among other things, that all people are born free and equal in dignity and rights. All employees receive guidelines on respecting human rights. Our goal is not to experience any issues related to non-compliance with human rights and the established whistleblower scheme can also be used if human rights are violated.

firm LIVING's Code of Conduct is based on the Ten Guiding Principles of the UN Global Compact. It defines the ethical principles of our business and has been signed by all our employees, agents, and suppliers. Violations of human rights are a risk, unacceptable and will, under no circumstances, be tolerated. The use of child labour of any kind is strictly forbidden. Primary risk of potential violation of human rights is identified to be related to supply chain, hence the group requires all suppliers to comply with firm LIVING's Code of Conduct and to acknowledge the declaration stated in the UN Global Compact. The company is not aware of any breach of human rights within the company or among suppliers during 2023 and will continue focusing on this matter in the future.

Social

The group policy is hiring according to qualifications and talent, regardless of ethnicity, age, gender, religion, sexual preference, disability, and social identity. The Company do not believe anyone is above others and work to create an environment and atmosphere where everyone can feel safe and are treated in the same way with the same possibilities and equality. The Company continuously work with its culture and conduct employee surveys to measure, mitigate risks and identify potential areas of improvements. When recruiting new people, the

potential candidates are selected solely based on qualifications and all been through a structured recruitment process, managed by HR. ferm LIVING has no knowledge of any breaches hereof. By the end of 2023 the company employed:

Number of employees	76
% of female employees	81%
% of female employees in leading or managerial positions	7%
% of male employees in leading or managerial positions	11%
% of women at board level	40%
Staff turnover	22%
Absenteeism rate	3%
# of workplace accidents	none

The company systematically registers workplace accidents, and no accidents were registered in the reporting year. Due to the nature of the company, there is very low risk and as such no specific health and safety procedures have been implemented. A workplace assessment (APV) was carried out in June 2023 with satisfactory overall results and a Team Engagement Culture Survey has been conducted in November 2023 with 91% participation. Finally, a Company Culture Day was held to work with continued improvements of the working environment in the company.

The company expect similar results in 2024 and will continue to work for equal opportunities and a safe work environment.

Ethics & Anti-corruption

According to the company's Code of Conduct all business proposals in relation to corruption are rejected and the company is fully committed to following the law with integrity. Working with suppliers in many foreign countries there are always local risks, however, we have no tolerance within the company and all suppliers sign our code of conduct. 54% of the suppliers are classified "Responsible Suppliers" and audited by externals and company representatives visits suppliers from time to time. The company's governance procedures utilize 4-eye principle for all company expenses and costs. Whistleblower procedures have been established and are available online for everyone and includes a process for the anonymous reporting of incidents, and nothing has been reported in the year. The company is not aware of any breach on corruption within the company or among suppliers during 2023. The company will continue to work actively its code of conduct and UN Global Conduct in its work for anti-corruption.

Statutory report on the underrepresented gender

The executive board consist of 2 people and the underrepresented gender makes up 0%. The parent company has no other employees besides the executive board and does therefore not report on other categories of management.

The company has 2 or fewer members of management and is therefore exempt from setting targets with regards to the underrepresented gender.

The Board of directors of the operating company (ferm LIVING ApS) consist of two women and three men, and thereby adhere to the goal of 40% female on the board.

Statutory report on data ethics policy

The company has a policy for data ethics and strict IT security guidelines and continuously upgrades its IT system and policies to minimize risk of hacking and inappropriate use. The data ethics policy describes how to use and thread data and all systems are monitored by external IT services. The Group strives to conduct its business

ethically, acknowledging the increased use and processing of data as an integral part of the Group's business. As described in the company's Code of Conduct, all data is treated with the greatest respect and confidentiality according to law.

Statutory report on corporate governance

The Group is subject to and complies with the "Guidelines for responsible Ownership and Corporate Governance" of the Active Owners Denmark (Brancheforeningen for Aktive Ejere i Danmark, www.aktiveejere.dk) as a consequence of being ultimately owned by the private equity fund, Maj Invest Equity 5 K/S that is a member of Active Owners Denmark

Management is on an ongoing basis monitoring the financial performance of the Group as well as the corporate governance to ensure that the Group is managed in accordance with applicable laws, in order to protect the interests of all stakeholders.

Risk management is an essential part of the Group's strategy and therefore a natural and integrated part of the daily work in the Group.

The members of the Board of Directors in firm LIVING are appointed by the owners. The Board meetings are held on a regular basis.

Events after the balance sheet date

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Financial Risks of the Elected Capital Structure

MIE5 Datterholding 9 ApS' share capital is not divided into classes. The Group's equity ratio is 81.48%.

Ownership and the Board of Directors' Managerial Duties

Maj Invest Equity 5 K/S owns 67% of MIE5 Datterholding 9 ApS.

Board of Directors

Name	Other management and board positions
Torsten Bjerre Rasmussen Director Story House Egmont A/S	ferm LIVING ApS (chairman) Med24.DK Aps (board of directors) Egmont Creative Solutions A/S (chairman) S360 A/S (chairman) Story House Egmont (chairman)
Thomas Riis Partner Maj Invest Equity A/S Nominated by Maj Invest Equity 5 K/S	Management Equity Vietnam I ApS (executive board) Danish Microfinance Partners Management ApS (executive board) General Partner Equity Vietnam ApS (executive board) Danish Microfinance Partners General Partner ApS (executive board) Wendelbo Interiors A/S (board of directors) Wendelbo Møbel Design ApS (board of directors) Ole Riis Holding (executive board) ferm LIVING ApS (board of directors) DMP Holding 1 ApS (executive board) ACE Capital ApS (executive board) MIE5 Holding 1 ApS (executive board) MIE5 Holding 8 ApS (executive board) MIE5 Holding 9 ApS (executive board) MIE5 Datterholding 8 ApS (executive board) Yellow Star Investment 3 Pte. Ltd. (board of directors)
Anna Kathrine Andersen Founding Partner	ferm Living ApS (board of directors) AKA Holding (founder & director) Sana2020 ApS (director) Auna2020 ApS (director) Nest Design ApS (owner & director) Sanest ApS (owner & director) Lullula ApS (director)
Sophie Louise Knauer	ferm LIVING ApS (board of directors) CC Globe Holding I ApS (board of directors) CC Globe Holding II A/S (board of directors) CC Mist NEW Holding II ApS (board of directors) CC FLY Holding II A/S (board of directors) Rekom Group Holding ApS (board of directors) Rekom Group A/S (board of directors) Solar A/S (board of directors) Skako A/S (board of directors) Skako Vibration Holding A/S (board of directors) Skako Vibration A/S (board of directors) Lady Invest ApS (founder, owner & director) NTG Nordic Transport Group A/S (board of directors) It's a club ApS (owner & director)
Hans Maasbøl Director Fairpoint Outdoors	ferm LIVING ApS (board of directors) Fairpoint Outdoors A/S (director) HMV Holding ApS (Founder, Owner & Director)

Consolidated income statement for 2023

	Notes	2023 DKK	2022 DKK
Revenue	2	371,206,446	405,427,544
Other operating income		2,993,265	9,407,365
Cost of sales		(206,388,842)	(238,011,604)
Other external expenses	3	(56,286,084)	(50,620,041)
Gross profit/loss		111,524,785	126,203,264
Staff costs	4	(58,579,522)	(50,045,460)
Depreciation, amortisation and impairment losses	5	(31,147,441)	(31,186,789)
Operating profit/loss		21,797,822	44,971,015
Other financial income	6	372,875	0
Other financial expenses	7	(15,362,533)	(12,257,482)
Profit/loss before tax		6,808,164	32,713,533
Tax on profit/loss for the year	8	(9,285,772)	(9,523,469)
Profit/loss for the year	9	(2,477,608)	23,190,064

Consolidated balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Acquired intangible assets		20,287,222	23,292,158
Acquired trademarks		122,031,829	129,210,172
Goodwill		294,904,327	314,422,410
Intangible assets	10	437,223,378	466,924,740
Other fixtures and fittings, tools and equipment		1,148,839	2,189,132
Leasehold improvements		876,223	599,758
Property, plant and equipment	11	2,025,062	2,788,890
Deposits		2,006,439	1,924,641
Financial assets	12	2,006,439	1,924,641
Fixed assets		441,254,879	471,638,271
Manufactured goods and goods for resale		63,672,568	83,584,792
Prepayments for goods		9,250,904	12,561,846
Inventories		72,923,472	96,146,638
Trade receivables		30,172,833	41,695,152
Other receivables		0	354,098
Prepayments	13	902,711	988,732
Receivables		31,075,544	43,037,982
Cash		43,651,988	23,712,576
Current assets		147,651,004	162,897,196
Assets		588,905,883	634,535,467

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital		10,000,000	10,000,000
Translation reserve		635,929	900,936
Other reserves		0	831,573
Retained earnings		320,682,704	323,377,916
Equity		331,318,633	335,110,425
Deferred tax	14	31,058,983	33,290,980
Other provisions	15	987,128	1,727,853
Provisions		32,046,111	35,018,833
Bank loans		84,804,386	126,426,635
Payables to associates		61,819,196	57,239,996
Non-current liabilities other than provisions	16	146,623,582	183,666,631
Current portion of non-current liabilities other than provisions	16	40,000,000	33,000,000
Bank loans		1,366,836	7,026,880
Prepayments received from customers		2,238,430	2,184,838
Trade payables		17,813,015	19,922,072
Tax payable		1,820,226	1,129,201
Joint taxation contribution payable		1,689,659	11,012,589
Other payables		13,989,391	6,463,998
Current liabilities other than provisions		78,917,557	80,739,578
Liabilities other than provisions		225,541,139	264,406,209
Equity and liabilities		588,905,883	634,535,467
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	18		
Assets charged and collateral	19		
Non-arm's length related party transactions	20		
Group relations	21		
Subsidiaries	22		

Consolidated statement of changes in equity for 2023

	Contributed capital DKK	Translation reserve DKK	Other reserves DKK	Retained earnings DKK	Total DKK
Equity beginning of year	10,000,000	900,936	831,573	323,377,916	335,110,425
Exchange rate adjustments	0	(265,007)	0	0	(265,007)
Other entries on equity	0	0	(1,049,177)	0	(1,049,177)
Dissolution of reserves	0	0	217,604	(217,604)	0
Profit/loss for the year	0	0	0	(2,477,608)	(2,477,608)
Equity end of year	10,000,000	635,929	0	320,682,704	331,318,633

Warrants

An incentive scheme for key management personnel has been established to motivate and retain the participants.

The incentive scheme has allowed participants to subscribe for a number of warrants, entitling all holders to collectively buy 380,185 warrants of a nominal value of DKK 380,185 in the Group at a price agreed in advance.

As of 31st December 2023, management participants in the incentive scheme have subscribed for 219,371 warrants in total.

Consolidated cash flow statement for 2023

	Notes	2023 DKK	2022 DKK
Operating profit/loss		21,797,822	44,971,015
Amortisation, depreciation and impairment losses		31,147,441	31,186,789
Other provisions		(740,725)	(2,526,073)
Working capital changes	17	40,390,525	(21,346,674)
Cash flow from ordinary operating activities		92,595,063	52,285,057
Financial income received		372,875	0
Financial expenses paid		(15,362,532)	(12,257,482)
Taxes refunded/(paid)		(20,149,674)	(8,115,857)
Cash flows from operating activities		57,455,732	31,911,718
Acquisition etc. of intangible assets		(81,798)	0
Acquisition etc. of property, plant and equipment		(682,251)	(1,454,666)
Acquisition and sale of warrents		(1,049,177)	0
Other cash flows from investing activities		0	(89,641)
Cash flows from investing activities		(1,813,226)	(1,544,307)
Free cash flows generated from operations and investments before financing		55,642,506	30,367,411

Loans raised	(40,282,294)	(27,490,294)
Incurrence of debt to associates	4,579,200	4,239,996
Cash flows from financing activities	(35,703,094)	(23,250,298)
<hr/>		
Increase/decrease in cash and cash equivalents	19,939,412	7,117,113
Cash and cash equivalents beginning of year	23,712,576	16,595,463
Cash and cash equivalents end of year	43,651,988	23,712,576
<hr/>		
Cash and cash equivalents at year-end are composed of:		
Cash	43,651,988	23,712,576
Cash and cash equivalents end of year	43,651,988	23,712,576
<hr/>		

Notes to consolidated financial statements

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Revenue

	2023	2022
	DKK	DKK
Europe	311,360,776	347,914,006
Rest of World	59,845,670	57,513,538
Total revenue by geographical market	371,206,446	405,427,544
Furnitures, lighting, accessories	371,206,446	405,427,544
Total revenue by activity	371,206,446	405,427,544

3 Fees to the auditor appointed by the Annual General Meeting

	2023	2022
	DKK	DKK
Statutory audit services	436,000	434,500
Tax services	601,575	514,650
Other services	59,524	590,540
	1,097,099	1,539,690

4 Staff costs

	2023	2022
	DKK	DKK
Wages and salaries	48,859,917	40,745,071
Pension costs	5,232,731	4,134,946
Other social security costs	1,586,531	1,045,925
Other staff costs	2,900,343	4,119,518
	58,579,522	50,045,460

Average number of full-time employees	85	77
---------------------------------------	-----------	-----------

	Remuneration of management 2023 DKK	Remuneration of management 2022 DKK
Total amount for management categories	2,912,324	2,717,058
	2,912,324	2,717,058

Special incentive programmes

An incentive scheme for key management personnel has been established to motivate and retain the participants.

The incentive scheme has allowed participants to subscribe for a number of warrants, entitling all holders to collectively buy 380,185 warrants of a nominal value of DKK 380,185 in the Group at a price agreed in advance.

As of 31st December 2023, management participants in the incentive scheme have subscribed for 219,371 warrants in total.

Management categories have been summarized, as the executive board consists of one individual.

5 Depreciation, amortisation and impairment losses

	2023 DKK	2022 DKK
Amortisation of intangible assets	29,701,362	29,813,950
Depreciation on property, plant and equipment	1,446,079	1,372,839
	31,147,441	31,186,789

6 Other financial income

	2023 DKK	2022 DKK
Other interest income	372,875	0
	372,875	0

7 Other financial expenses

	2023 DKK	2022 DKK
Other interest expenses	14,103,972	10,174,072
Exchange rate adjustments	1,258,561	2,031,217
Other financial expenses	0	52,193
	15,362,533	12,257,482

8 Tax on profit/loss for the year

	2023	2022
	DKK	DKK
Current tax	8,321,499	11,953,262
Change in deferred tax	(2,231,997)	(2,474,944)
Adjustment concerning previous years	3,196,270	45,151
	9,285,772	9,523,469

9 Proposed distribution of profit/loss

	2023	2022
	DKK	DKK
Retained earnings	(2,477,608)	23,190,064
	(2,477,608)	23,190,064

10 Intangible assets

	Acquired intangible assets DKK	Acquired trademarks DKK	Goodwill DKK
Cost beginning of year	29,639,794	143,566,858	390,361,660
Cost end of year	29,639,794	143,566,858	390,361,660
Amortisation and impairment losses beginning of year	(6,347,636)	(14,356,686)	(75,939,250)
Amortisation for the year	(3,004,936)	(7,178,343)	(19,518,083)
Amortisation and impairment losses end of year	(9,352,572)	(21,535,029)	(95,457,333)
Carrying amount end of year	20,287,222	122,031,829	294,904,327

A subset of intangible assets are recognized based on a purchase price allocation in connection with acquisitions.

11 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	4,446,056	1,758,865
Transfers	(2,322,438)	2,322,438
Additions	605,416	76,835
Cost end of year	2,729,034	4,158,138
Depreciation and impairment losses beginning of year	(2,256,924)	(1,159,107)
Transfers	1,356,363	(1,356,363)
Depreciation for the year	(679,634)	(766,445)
Depreciation and impairment losses end of year	(1,580,195)	(3,281,915)
Carrying amount end of year	1,148,839	876,223

12 Financial assets

	Deposits DKK
Cost beginning of year	1,924,641
Additions	81,798
Cost end of year	2,006,439
Carrying amount end of year	2,006,439

13 Prepayments

Prepayments consist prepaid costs, primarily insurances and membership fees, relating to the next year.

14 Deferred tax

	2023 DKK	2022 DKK
Intangible assets	31,310,191	33,527,025
Property, plant and equipment	(251,208)	(236,045)
Deferred tax	31,058,983	33,290,980

Changes during the year	2023 DKK	2022 DKK
Beginning of year	33,290,980	35,765,924
Recognised in the income statement	(2,231,997)	(2,474,944)
End of year	31,058,983	33,290,980

15 Other provisions

Other provisions for warranty and fairness of DKK 1 million have been recognised as of 31 December 2023 to cover expected warranty and fairness claims. The size and timing of the provisions is based on previous experience of the level and timing of repairs and returns. The expected amount due within one year amounts to DKK 1 million. No amount is expected to be outstanding after 5 years.

16 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK	Due within 12 months 2022 DKK	Due after more than 12 months 2023 DKK
Bank loans	40,000,000	33,000,000	84,804,386
Payables to associates	0	0	61,819,196
	40,000,000	33,000,000	146,623,582

All debt is due within five years.

17 Changes in working capital

	2023	2022
	DKK	DKK
Increase/decrease in inventories	22,958,164	18,850,851
Increase/decrease in receivables	11,962,436	(11,350,279)
Increase/decrease in trade payables etc.	5,469,925	(28,847,246)
	40,390,525	(21,346,674)

18 Unrecognised rental and lease commitments

	2023	2022
	DKK	DKK
Total liabilities under rental or lease agreements until maturity	25,003,660	15,609,932

19 Assets charged and collateral

MIE5 Datterholding 9 ApS and its subsidiaries are subject to negative pledges (in Danish: pantsætningsforbud).

20 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report.

During the financial year, related party transactions have been conducted on an arm's length basis besides the following transactions:

In 2023 the Group did not recognize interest on all intercompany balances.

21 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
MIE5 Holding 9 ApS, Gammeltorv 18, 1457 Copenhagen.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
MIE5 Datterholding 9 ApS, Gammeltorv 18, 1457 Copenhagen.

22 Subsidiaries

	Registered in	Corporate form	Ownership %
ferm LIVING ApS	Denmark	ApS	100.00
ferm LIVING US Inc.	USA	Inc	100.00

Parent income statement for 2023

	Notes	2023 DKK	2022 DKK
Other external expenses		(67,721)	(67,591)
Gross profit/loss		(67,721)	(67,591)
Income from investments in group enterprises		7,600,428	30,441,938
Other financial expenses	2	(12,852,838)	(9,229,684)
Profit/loss before tax		(5,320,131)	21,144,663
Tax on profit/loss for the year	3	2,842,523	2,045,401
Profit/loss for the year	4	(2,477,608)	23,190,064

Parent balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Investments in group enterprises		492,421,979	547,086,559
Financial assets	5	492,421,979	547,086,559
Fixed assets		492,421,979	547,086,559
Receivables from group enterprises		23,835,869	800,453
Other receivables		0	217
Joint taxation contribution receivable		2,842,523	2,045,401
Receivables		26,678,392	2,846,071
Cash		0	1,910,677
Current assets		26,678,392	4,756,748
Assets		519,100,371	551,843,307

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital		10,000,000	10,000,000
Translation reserve		635,929	900,936
Reserve for net revaluation according to equity method		0	105,399,306
Other reserves		0	831,573
Retained earnings		320,682,704	217,978,610
Equity		331,318,633	335,110,425
Bank loans		84,804,386	126,426,635
Payables to associates	6	61,819,196	57,239,996
Non-current liabilities other than provisions	7	146,623,582	183,666,631
Current portion of non-current liabilities other than provisions	7	40,000,000	33,000,000
Bank loans		1,025,874	0
Trade payables		132,282	66,251
Current liabilities other than provisions		41,158,156	33,066,251
Liabilities other than provisions		187,781,738	216,732,882
Equity and liabilities		519,100,371	551,843,307
Events after the balance sheet date	1		
Employees	8		
Contingent liabilities	9		
Assets charged and collateral	10		
Related parties with controlling interest	11		
Non-arm's length related party transactions	12		

Parent statement of changes in equity for 2023

	Contributed capital DKK	Translation reserve DKK	Reserve for net revaluation according to the equity method DKK	Other reserves DKK	Retained earnings DKK
Equity beginning of year	10,000,000	900,936	105,399,306	831,573	217,978,610
Exchange rate adjustments	0	(265,007)	0	0	0
Dissolution of revaluations	0	0	(105,399,306)	0	105,399,306
Other entries on equity	0	0	0	(1,049,177)	0
Dissolution of reserves	0	0	0	217,604	(217,604)
Profit/loss for the year	0	0	0	0	(2,477,608)
Equity end of year	10,000,000	635,929	0	0	320,682,704

	Total DKK
Equity beginning of year	335,110,425
Exchange rate adjustments	(265,007)
Dissolution of revaluations	0
Other entries on equity	(1,049,177)
Dissolution of reserves	0
Profit/loss for the year	(2,477,608)
Equity end of year	331,318,633

Warrants

An incentive scheme for key management personnel has been established to motivate and retain the participants.

The incentive scheme has allowed participants to subscribe for a number of warrants, entitling all holders to collectively buy 380,185 warrants of a nominal value of DKK 380,185 in the Group at a price agreed in advance.

As of 31st December 2023, management participants in the incentive scheme have subscribed for 219,371 warrants in total.

Notes to parent financial statements

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Other financial expenses

	2023 DKK	2022 DKK
Other interest expenses	12,852,838	9,177,491
Other financial expenses	0	52,193
	12,852,838	9,229,684

3 Tax on profit/loss for the year

	2023 DKK	2022 DKK
Refund in joint taxation arrangement	(2,842,523)	(2,045,401)
	(2,842,523)	(2,045,401)

4 Proposed distribution of profit and loss

	2023 DKK	2022 DKK
Retained earnings	(2,477,608)	23,190,064
	(2,477,608)	23,190,064

5 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	525,310,205
Cost end of year	525,310,205
Impairment losses beginning of year	21,776,354
Exchange rate adjustments	(265,007)
Amortisation of goodwill	(19,872,055)
Share of profit/loss for the year	27,472,482
Dividend	(62,000,000)
Impairment losses end of year	(32,888,226)
Carrying amount end of year	492,421,979
Goodwill or negative goodwill recognised during the financial year	315,219,165

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

6 Payables to associates

The payable to associates is a subordinate loan and therefore subordinated to the company's other creditors. The loan becomes due for payment at the earliest of (i) the date on which the lender is no longer directly or indirectly a shareholder in the borrower, (ii) the date on which MIE5 Holding 9 ApS (directly) and/or Maj Invest Equity 5 K/S transfer 50% or more of their shares in the borrower, and (iii) the date on which the borrower takes out new loans that are not subordinated to the loan.

7 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK	Due within 12 months 2022 DKK	Due after more than 12 months 2023 DKK
Bank loans	40,000,000	33,000,000	84,804,386
Payables to associates	0	0	61,819,196
	40,000,000	33,000,000	146,623,582

All debt is due within five years.

8 Employees

The Entity has no employees other than the Executive Board. The Executive Officer has not received any remuneration.

9 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which MIE5 Holding 9 ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc. for the jointly taxed entities, limited to the equity interest by which the Entity participates in the Group, and also secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividends 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.

10 Assets charged and collateral

MIE5 Datterholding 9 ApS and its subsidiaries are subject to negative pledges (in Danish: pantsætningsforbud). The shares in ferm LIVING ApS are pledged in favour of the lenders under the Group's bank agreement

11 Related parties with controlling interest

Related parties with controlling interest in MIE5 Datterholding 9 ApS:
MIE5 Holding 9 ApS, 1457 Copenhagen, (parent company)

12 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report.

During the financial year, related party transactions have been conducted on an arm's length basis besides the following transactions:

In 2023 the Group did not recognized interest on all intercompany balances.

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. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling, influence are regarded as associates.

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 acquisition date, with net assets having been calculated at fair value.

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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

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.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in 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, including profit from the sale of intangible assets and property, plant and equipment, and salary refunds .

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for normal inventory writedowns.

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, and social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

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

Income from investments in group enterprises

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

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including 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 payables and transactions in foreign currencies 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. Useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and 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 is 20 years.

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

Intellectual property rights etc.

Intellectual property rights etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement.

Useful lives are reassessed annually. The amortisation periods used is 5 - 20 years.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

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.

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
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 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 plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in group enterprises.

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 the reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost of investments 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.

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

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

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

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 provisions for warranty and provisions for fairness. Provisions for warranty are obligations to repair products within the warranty period, whereas provisions for fairness are obligations to repair products after the end of the warranty period.

Other provisions are recognised when there is a legal or constructive obligation as a result of events in the financial year or previous years, and it is probable that an outflow of financial resources will be required to settle the obligation. Provisions are measured at the present value of the expected expenditure required to settle the obligation.

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 financial income, financial expenses and income tax 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.

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

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.