Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
City Tower, Værkmestergade 2
8000 Aarhus C

Phone 89 41 41 41
Fax 89 41 42 43
www.deloitte.dk

Tvilum A/S 2018
Egon Kristiansens Allé 2
8882 Fårvang
Central Business Registration
No 39323702

Annual report 2019

The Annual General Meeting adopted the annual report on 20.02.2020

Chairman of the General Meeting

Name: Birger Østergaard Christensen

Contents

Entity details

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

Central Business Registration No (CVR): 39323702
Registered in: Silkeborg
Financial year: 01.01.2019 - 31.12.2019

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

Executive Board
Torben Porsholdt

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Tvilum A/S 2018 for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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

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

Fårvang, 20.02.2020

Executive Board

Torben Porsholdt

Board of Directors

Birger Østergaard Christensen	Peter Bager	Poul Kristiansen
Torben Porsholdt	Asbjørn Berge	

Independent auditor's report

To the shareholders of Tvilum A/S 2018

Opinion

We have audited the consolidated financial statements and the parent financial statements of Tvilum A/S 2018 for the financial year 01.01.2019 - 31.12.2019, 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 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 Group or 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

Independent auditor's report

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 these 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 Parent'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 Parent'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, 20.02.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Klaus Tvede-Jensen
statsautoriseret revisor
Identification No (MNE) mne23304

Thorsten Jørgensen
statsautoriseret revisor
Identification No (MNE) mne31431

Management commentary

	2019 DKK'000	2018 DKK'000
Financial highlights		
Key figures		
Revenue	1.073.891	756.809
Gross profit/loss	225.558	213.183
Operating profit/loss	75.802	91.759
Net financials	(11.041)	(14.369)
Profit/loss for the year	50.055	59.197
Total assets	459.537	363.645
Investments in property, plant and equipment	48.067	51.559
Equity	119.199	69.216
Cash flows from (used in) operating activities	(15.304)	(75.080)
Cash flows from (used in) investing activities	(9.518)	(74.124)
Cash flows from (used in) financing activities	(21.551)	92.415
Average numbers of employees	647	523
Ratios		
Gross margin (%)	21,0	28,2
Net margin (%)	4,7	7,8
Return on equity (%)	53,1	85,5
Equity ratio (%)	25,9	19,0
Revenue per employee	1.659,8	1.447,1
Solvency ratio including subordinate loan capital (%)	42,1	36,5

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

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.
Revenue per employee	$\frac{\text{Revenue}}{\text{Average number of employees}}$	The entity's productivity
Solvency ratio including subordinate loan capital (%)	$\frac{\text{Equity incl. subordinate loan capital x 100}}{\text{Total assets}}$	The Enterprise's financial strength including subordinate loan capital

Management commentary

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 2019, whereas the comparative figures for 2018 cover the period from 12 February to 31 December 2018.

Based on the efforts to re-establish the business from 12 February 2018 until the end of 2018, the Company succeeded in 2019 in meeting or even surpassing all major business objectives.

This has been facilitated by the new ownership, which, with lots of experience from the furniture and building industry, together with the day-to-day management has established a changed and improved business at all points across the value chain, while also ensuring that important features of Tvilum's original DNA are maintained and strengthened.

Tvilum has gained an even better foothold in all markets and segments and has particularly succeeded in driving growth in new and prospective growth segments. As a result, Tvilum now has an even better spread in market exposure than before, which is a distinctive feature of Tvilum within the industry. Consequently, Tvilum is less sensitive to the development in individual markets.

When it comes to products and production, Tvilum has succeeded in ensuring an even more attractive and efficient product base as a foundation for obtaining further, continuous productivity gains alongside the continuous expansion of production capacity driven by market growth. This process will continue in the coming year.

Along with the improvements in the direct value chain, Tvilum has launched a number of initiatives to ensure that Tvilum will continue to improve the organisational productivity and efficiency. This will take place, among other things, through digitization and implementation of IT-based robot technology; a journey that has only just begun, but where significant, positive results are already being seen.

Strategy driven
As Tvilum has succeeded in completing a successful turnaround process, the work to establish a flexible, long-term strategy for Tvilum is largely in place. The focus is to ensure a sustainable Tvilum in all respects - both in relation to the environment, people and financial strength.

The foundation of the business will continue to be what has already been achieved as well as a basic recognition that Tvilum operates in an industry where both price and quality are crucial and where margins are under continued pressure, which requires both innovation, readiness to adapt and cost awareness. Moreover, it is clear that with the right efforts, it is possible to achieve (considerable) results within the industry.

Income statement
The measures initiated have resulted in significant financial growth.

Management commentary

Revenue has increased significantly by DKK 317.1m, and at the same time the actual underlying profit (EBITDA) has improved by 7.1 percentage points, equal to DKK 71.0m (excluding recognition of positive effects from the actual valuation of the activities acquired from the bankruptcy estate of the former Tvilum Aps, also referred to as badwill).

Revenue amounted to DKK 1,073.9m against DKK 756.8m in 2018.
Gross profit amounted to DKK 225.6m against DKK 213.2m in 2018.

EBITDA amounted to DKK 82.4m against DKK 95.4m in 2018.
Net profit amounted to DKK 50.1 against DKK 59.2m in 2018.

Progress and financial performance
As shown in the table below, recognition of badwill in the financial statements for 2019 and 2018 has a significant, positive impact (DKK 24.0m in 2019 and DKK 108.0m in 2019). If excluding these figures, the actual results from operations of Tvilum for the two periods will appear.

DKKm

	2019	**2018***
Revenue	1,073.9	756.8
EBITDA	82.4	95.4
Badwill*	24.0	108.0
EBITDA excl. badwill	**58.4**	**-12.6**
EBITDA%	5.4%	-1.7%

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

As can be seen, the underlying profit for 2019 is a significant improvement on 2018. Revenue is substantially above 2018, even when taking into account the shorter financial period in 2018. Most significant was an actual increase in pre-tax profit of DKK 71.0m compared to 2018, and EBITDA adjusted for badwill is DKK 58.4m, corresponding to 5.4% of revenue compared to 2018, when EBITDA adjusted for badwill was DKK -12.6m, corresponding to -1.7%.

Compared to the budget for 2019, the realised (net) revenue of DKK 1,073.9m is above the budgeted DKK

Management commentary

1,028.5m[1], i.e. revenue is higher by DKK 45.4m. The operating profit adjusted for badwill as stated above is DKK 51.8m and thus meets the budget of DKK 52m.

Management thus considers the profit for 2019 satisfactory.

The Board of Directors recommends that no dividends are distributed for 2019.

Balance sheet

The Group's balance sheet amounts to DKK 459.5m. The business is financed by cash from operations, subordinate loan capital of DKK 74.2m, bank facilities of DKK 165m and loan capital of DKK 28.5m.

Including subordinated loan capital, the Company's solvency ratio stands at 42.1% in 2019 compared to 36.5% at the end of 2018.

As stated in the annual report for 2018, the Polish production unit was expected to be finally taken over by the new Tvilum A/S 2018. This process was completed as planned in 2019, and the Polish company was thus incorporated in the consolidated financial statements at 1 July 2019.

Cash flow statement

In 2019, the Company generated cash flows from operating activities of DKK -15.3m. Cash flows from investing activities amount to DKK -9.5m. Cash flows from financing activities amount to DKK -21.6m.

In 2019, cash and cash equivalents total DKK -46,4m.

The increased cash utilisation is attributable to expansion of business volume and capacity during 2019, primarily reflected in higher stock levels, while cash tied up in debtors is largely unchanged from end of 2018.

This has been financed through increased loan capital and financing through banks.

Outlook

Management expects the positive development established in 2018 and 2019 to continue in 2020. The expectation is based on a continued high level of activity, an increase in productivity and a positive development from both product and market mix. At EBITDA level, a profit of DKK 82-90m is expected.

Particular risks

Supply risks

The Company has broadened its supplier base and is actively pursuing a multiple sourcing strategy in order to minimise risk from single suppliers.

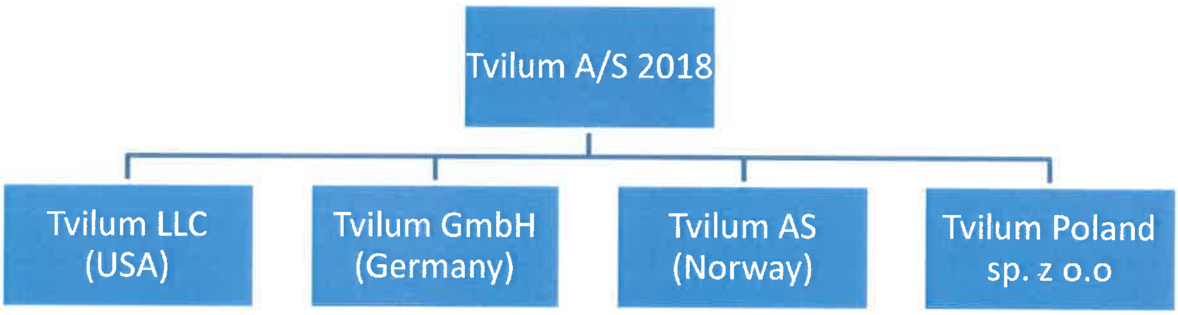
[1] Please note that the revenue budget stated in the 2018 Annual Report is gross revenue. The corresponding net revenue after deduction of customer bonuses, etc. is DKK 1,028.5m

Management commentary

Currency risks
The majority of trade is settled in EUR and DKK. EUR is used for payments of Danish and foreign suppliers where it has been agreed. In addition USD is used to settle trade in USA. The effects of Brexit on currency is considered immaterial at group level.

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

Group relations
Group structure:



Statutory report on corporate social responsibility
Tvilum is among Europe's leading suppliers of practical, 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 large and medium-sized retailers around the world with ready-to-assemble furniture. 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, labor, 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 strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, previously the Millennium Development Goals and in the future the

Management commentary

Sustainable Development Goals. Tvilum will make a clear statement of this commitment to our stakeholders and the general public. We support public accountability and transparency, and we therefore commit to report our progress annually according to the Global Compact COP policy.

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

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

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

The Board consists of the owners as well as 2 external elected professionals. The target for the Company is to fill seats in the Board with persons that possess the best qualifications for the performance of the Board. There has been no election for the Board in 2019, 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 2019, 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.

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

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

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

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;
Principle 2: make sure that they are not complicit in human rights abuses.

The Code of Conduct lays down the minimum requirements for both own as well as suppliers' behavior.

Management commentary

Tvilum Code of Conduct is based on the eight core conventions defined in the Fundamental Principles of Rights at Work, ILO declaration June 1998, the Rio Declaration on Sustainable Development 1992, The UN Johannesburg Summit on Sustainable Development and the Ten Principles of the UN Global Compact 2000. Tvilum recognises the fundamental principles of Human Rights, as defined by the "Universal Declaration of Human Rights" (United Nations 1948) and adheres to UN decisions regarding trade boycotts and embargoes. During 2019, another five suppliers have signed the Tvilum Code of Conduct, which now includes a total of 68 suppliers.

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 covers 2 manufacturing sites in Denmark. The average number of employees during the year was 505 (converted into full-time employees). At the time of writing this report, the youngest employee is 19 years old, and the oldest is 73 years old. The distribution of employees includes several nationalities of which 28.34% are women. 30.53% of the employees are white collar.

The Company endorses free choice of labour unions and dialogue with employee representatives to ensure a good respectful working environment. Moreover, employee safety is addressed at board level monthly as well as in the management teams within the Company, to ensure a safe working environment. Management believes that the efforts in 2019 have helped maintain a high level of safety and well-being in Tvilum.

The personnel policy and the employees' handbook were updated in 2018, ensuring a renewed focus on the topics therein amongst the employees. Both publications inform employees of their rights and possibilities, including but not limited to, equal opportunities, equal treatment and senior policy. The Company enforces business behavior at all levels to be compliant with the foundation laid out in the employee handbook and personnel policies, to ensure equal opportunities and rights are secured for the staff, no matter 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 in case.

Management commentary

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and
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 2019 utilises recycled wood for the production of new boards. Therefore, the particleboards received from there in 2019 contained an average of more than 80% recycled material.

The excess chipboard from production is naturally utilised as well – what isn't applied for energy utilisation on site, is recycled at aforementioned supplier. The Company strives to be able to send as much waste as possible to recycling. Through a long-term effort the percentage of waste sent for deposit in 2019 was below 0.5%.

Reducing energy consumption is and has been an ongoing project. During 2019, the effort resulted in further 7% reductions of the energy consumption compared with production hours and total produced single items comparing to baseline 2018. The savings shall be seen as a result of production efficiency increase, involvement and focus on behavior of employees, and specific projects dealing with air-compressor system, dust extraction, forklifts and lights.

In the efforts in becoming more energy efficient Tvilum holds an energy management system, which is certified according to ISO 50001 was re-certified in January 2020. In 2019, an energy saving of 8% (kWh/pcs.) was obtained compared to 2018.

It is expected according to the Energy Management review for 2019 that energy saving target for 2020 is a reduction of 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 working policy for "anti-bribery, anti-corruption" which has been implemented and relevant

Management commentary

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.

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

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

Consolidated income statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Revenue	1	1.073.891	756.809
Other operating income	2	29.115	108.865
Cost of sales		(778.537)	(551.865)
Other external expenses	3	(98.911)	(100.626)
Gross profit/loss		**225.558**	**213.183**
Staff costs	4	(143.193)	(117.821)
Depreciation, amortisation and impairment losses	5	(6.563)	(3.603)
Operating profit/loss		**75.802**	**91.759**
Other financial income	6	4.400	2.939
Financial expenses from group enterprises		(1.062)	0
Other financial expenses	7	(14.379)	(17.308)
Profit/loss before tax		**64.761**	**77.390**
Tax on profit/loss for the year	8	(14.706)	(18.193)
Profit/loss for the year	9	**50.055**	**59.197**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Land and buildings		32.061	28.890
Plant and machinery		42.214	9.716
Other fixtures and fittings, tools and equipment		11.056	8.328
Property, plant and equipment in progress		4.042	1.022
Property, plant and equipment	10	**89.373**	**47.956**
Deposits		467	2.564
Fixed asset investments	11	**467**	**2.564**
Fixed assets		**89.840**	**50.520**
Raw materials and consumables		48.575	35.597
Work in progress		24.982	15.072
Manufactured goods and goods for resale		137.904	113.666
Prepayments for goods		7.404	3.179
Inventories		**218.865**	**167.514**
Trade receivables		124.428	94.576
Other receivables		12.860	40.533
Prepayments		2.566	2.207
Receivables		**139.854**	**137.316**
Cash		**10.978**	**8.295**
Current assets		**369.697**	**313.125**
Assets		**459.537**	**363.645**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Contributed capital		10.000	10.000
Retained earnings		109.199	59.216
Equity		**119.199**	**69.216**
Deferred tax	12	2.804	1.717
Other provisions	13	11.431	12.240
Provisions		**14.235**	**13.957**
Subordinate loan capital		74.206	63.628
Bank loans		24.307	0
Finance lease liabilities		7.639	6.079
Other payables	14	7.826	0
Non-current liabilities other than provisions	15	**113.978**	**69.707**
Current portion of long-term liabilities other than provisions	15	4.157	926
Bank loans		114.140	65.084
Payables to other credit institutions		0	61.227
Trade payables		36.733	29.337
Income tax payable		7.124	0
Joint taxation contribution payable		6.280	16.476
Other payables		43.691	37.715
Current liabilities other than provisions		**212.125**	**210.765**
Liabilities other than provisions		**326.103**	**280.472**
Equity and liabilities		**459.537**	**363.645**
Unrecognised rental and lease commitments	17		
Assets charged and collateral	18		
Transactions with related parties	19		
Group relations	20		
Subsidiaries	21		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	10.000	59.216	69.216
Exchange rate adjustments	0	(72)	(72)
Profit/loss for the year	0	50.055	50.055
Equity end of year	**10.000**	**109.199**	**119.199**

Consolidated cash flow statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Operating profit/loss		75.802	91.759
Amortisation, depreciation and impairment losses		6.563	3.620
Working capital changes	16	(69.937)	(156.090)
Cash flow from ordinary operating activities		**12.428**	**(60.711)**
Financial income received		4.400	2.939
Financial expenses paid		(15.441)	(17.308)
Income taxes refunded/(paid)		(16.691)	0
Cash flows from operating activities		**(15.304)**	**(75.080)**
Acquisition etc of property, plant and equipment		(8.941)	(14.060)
Sale of property, plant and equipment		87	0
Acquisition of fixed asset investments		(252)	(4.634)
Sale of fixed asset investments		2.349	2.070
Acquisition of activities		(2.761)	(57.500)
Cash flows from investing activities		**(9.518)**	**(74.124)**
Loans raised		40.711	83.093
Repayments of loans etc		(62.262)	(678)
Contributed share capital		0	10.000
Cash flows from financing activities		**(21.551)**	**92.415**
Increase/decrease in cash and cash equivalents		**(46.373)**	**(56.789)**
Cash and cash equivalents beginning of year		(56.789)	0
Cash and cash equivalents end of year		**(103.162)**	**(56.789)**
Cash and cash equivalents at year-end are composed of:			
Cash		10.978	8.295
Short-term debt to banks		(114.140)	(65.084)
Cash and cash equivalents end of year		**(103.162)**	**(56.789)**

Notes to consolidated financial statements

	2019 DKK'000	2018 DKK'000
1. Revenue		
Revenue, Denmark	50.376	60.463
Revenue, Europe	697.143	517.364
Revenue, rest of the world	326.372	178.982
	1.073.891	**756.809**

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

	2019 DKK'000	2018 DKK'000
2. Other operating income		
Badwill	28.900	108.002
Legal costs relating to acquisition	-1.346	0
Other operating income	1.561	863
	29.115	**108.865**

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

	2019 DKK'000	2018 DKK'000
3. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	325	225
Tax services	137	167
Other services	604	505
	1.066	**897**

Notes to consolidated financial statements

4. Staff costs	2019 DKK'000	2018 DKK'000
Wages and salaries	214.834	177.759
Pension costs	16.026	12.528
Other social security costs	7.675	5.192
Other staff costs	251	144
Staff costs classified as assets	(95.593)	(77.802)
	143.193	**117.821**
Average number of employees	**647**	**523**

	Remuneration of management 2019 DKK'000	Remuneration of management 2018 DKK'000
Total amount for management categories	2.258	2.294
	2.258	**2.294**

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	2019 DKK'000	2018 DKK'000
Depreciation of property, plant and equipment	6.563	3.603
	6.563	**3.603**

6. Other financial income	2019 DKK'000	2018 DKK'000
Other interest income	1.403	2.939
Exchange rate adjustments	2.997	0
	4.400	**2.939**

7. Other financial expenses	2019 DKK'000	2018 DKK'000
Exchange rate adjustments	4.769	3.263
Other financial expenses	9.610	14.045
	14.379	**17.308**

Notes to consolidated financial statements

8. Tax on profit/loss for the year	2019 DKK'000	2018 DKK'000
Current tax	13.782	16.476
Change in deferred tax	1.087	1.717
Adjustment concerning previous years	(163)	0
	14.706	**18.193**

9. Proposed distribution of profit/loss	2019 DKK'000	2018 DKK'000
Retained earnings	50.055	59.197
	50.055	**59.197**

10. Property, plant and equipment	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	30.007	11.437	9.093	1.022
Transfers	0	0	337	(337)
Additions	4.739	35.769	4.134	3.425
Disposals	0	0	(19)	(68)
Cost end of year	**34.746**	**47.206**	**13.545**	**4.042**
Depreciation and impairment losses beginning of year	(1.117)	(1.721)	(765)	0
Depreciation for the year	(1.568)	(3.271)	(1.724)	0
Depreciation and impairment losses end of year	**(2.685)**	**(4.992)**	**(2.489)**	**0**
Carrying amount end of year	**32.061**	**42.214**	**11.056**	**4.042**
Recognised assets not owned by entity	-	-	**8.576**	-

Notes to consolidated financial statements

	Deposits DKK'000
11. Fixed asset investments	
Cost beginning of year	2.564
Additions	252
Disposals	(2.349)
Cost end of year	**467**
Carrying amount end of year	**467**

	2019 DKK'000	2018 DKK'000
12. Deferred tax		
Property, plant and equipment	2.728	1.911
Inventories	4.547	4.025
Provisions	(2.515)	(2.693)
Liabilities other than provisions	(1.956)	(1.526)
	2.804	**1.717**
Changes during the year		
Beginning of year	1.717	
Recognised in the income statement	1.087	
End of year	**2.804**	

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

	2019 DKK'000	2018 DKK'000
14. Other long-term payables		
Holiday pay obligation	7.826	0
	7.826	**0**

Notes to consolidated financial statements

15. Liabilities other than provisions	Due within 12 months 2019 DKK'000	Due within 12 months 2018 DKK'000	Due after more than 12 months 2019 DKK'000	Outstanding after 5 years DKK'000
Subordinate loan capital	0	0	74.206	74.206
Bank loans	2.860	0	24.307	12.833
Finance lease liabilities	1.297	926	7.639	578
Other payables	0	0	7.826	0
	4.157	**926**	**113.978**	**87.617**

16. Change in working capital	2019 DKK'000	2018 DKK'000
Increase/decrease in inventories	(26.972)	(47.570)
Increase/decrease in receivables	17.271	(50.010)
Increase/decrease in trade payables etc	(31.265)	49.492
Other changes	(28.971)	(108.002)
	(69.937)	**(156.090)**

17. Unrecognised rental and lease commitments	2019 DKK'000	2018 DKK'000
Liabilities under rental or lease agreements until maturity in total	**3.119**	**4.505**

Of the above liability at 31.12.2019, DKK 1,738k matures within 12 months.

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 27,551k.

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 31.12.2019 totals DKK 314,321k.

Certain plant and machinery, fixtures and fittings, etc are funded through finance leases. The carrying amount of assets held under finance leases totals DKK 8,576k.

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

Notes to consolidated financial statements

19. 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.

20. Group relations

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

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

	Registered in	Corpo-rate form	Equity inte-rest %
21. Subsidiaries			
Tvilum AS	Norway	AS	100,0
Tvilum LLC	USA	LLC	100,0
Tvilum GmbH	Germany	GmbH	100,0
Tvilum Poland Sp. z o. o.	Poland	Sp. z o. o	100,0

Parent income statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Revenue	1	1.039.144	756.787
Other operating income	2	1.547	108.720
Cost of sales		(749.280)	(548.346)
Other external expenses		(124.125)	(113.232)
Gross profit/loss		**167.286**	**203.929**
Staff costs	3	(125.258)	(109.859)
Depreciation, amortisation and impairment losses	4	(4.311)	(3.603)
Operating profit/loss		**37.717**	**90.467**
Income from investments in group enterprises		25.559	1.224
Other financial income	5	4.399	2.939
Financial expenses from group enterprises		(1.062)	0
Other financial expenses	6	(9.444)	(17.240)
Profit/loss before tax		**57.169**	**77.390**
Tax on profit/loss for the year	7	(7.114)	(18.193)
Profit/loss for the year	8	**50.055**	**59.197**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Land and buildings		27.551	28.890
Plant and machinery		9.871	9.716
Other fixtures and fittings, tools and equipment		9.721	8.328
Property, plant and equipment in progress		4.042	617
Property, plant and equipment	9	**51.185**	**47.551**
Investments in group enterprises		29.264	1.276
Deposits		427	2.427
Fixed asset investments	10	**29.691**	**3.703**
Fixed assets		**80.876**	**51.254**
Raw materials and consumables		42.917	35.597
Work in progress		19.332	15.072
Manufactured goods and goods for resale		123.221	113.666
Prepayments for goods		7.404	3.179
Inventories		**192.874**	**167.514**
Trade receivables		120.302	94.576
Receivables from group enterprises		42.982	134
Other receivables		7.348	40.514
Prepayments	11	2.492	2.173
Receivables		**173.124**	**137.397**
Cash		**1.627**	**6.810**
Current assets		**367.625**	**311.721**
Assets		**448.501**	**362.975**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Contributed capital		10.000	10.000
Reserve for net revaluation according to the equity method		26.723	1.236
Retained earnings		82.476	57.980
Equity		**119.199**	**69.216**
Deferred tax	12	2.551	1.717
Other provisions	13	11.431	12.240
Provisions		**13.982**	**13.957**
Subordinate loan capital		74.206	63.628
Bank loans		24.307	0
Finance lease liabilities		7.592	6.011
Other payables	14	7.826	0
Non-current liabilities other than provisions	15	**113.931**	**69.639**
Current portion of long-term liabilities other than provisions	15	4.157	926
Bank loans		114.140	65.084
Payables to other credit institutions		0	61.227
Trade payables		35.479	28.634
Payables to group enterprises		488	104
Joint taxation contribution payable		6.280	16.476
Other payables		40.845	37.712
Current liabilities other than provisions		**201.389**	**210.163**
Liabilities other than provisions		**315.320**	**279.802**
Equity and liabilities		**448.501**	**362.975**
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 2019

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	10.000	1.236	57.980	69.216
Exchange rate adjustments	0	(72)	0	(72)
Profit/loss for the year	0	25.559	24.496	50.055
Equity end of year	**10.000**	**26.723**	**82.476**	**119.199**

Notes to parent financial statements

	2019 DKK'000	2018 DKK'000
1. Revenue		
Revenue, Denmark	56.114	60.461
Revenue, Europe	736.631	517.348
Revenue, rest of of the world	246.399	178.978
	1.039.144	**756.787**

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

	2019 DKK'000	2018 DKK'000
2. Other operating income		
Badwill	0	108.002
Other operating income	1.547	718
	1.547	**108.720**

	2019 DKK'000	2018 DKK'000
3. Staff costs		
Wages and salaries	199.268	170.041
Pension costs	15.673	12.371
Other social security costs	5.661	5.105
Other staff costs	249	144
Staff costs classified as assets	(95.593)	(77.802)
	125.258	**109.859**
Average number of employees	**494**	**491**

	Remunera-tion of manage-ment 2019 DKK'000	Remunera-tion of manage-ment 2018 DKK'000
Total amount for management categories	2.258	2.294
	2.258	**2.294**

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

Notes to parent financial statements

	2019 DKK'000	2018 DKK'000
4. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	4.311	3.603
	4.311	**3.603**

	2019 DKK'000	2018 DKK'000
5. Other financial income		
Other interest income	1.402	2.939
Exchange rate adjustments	2.997	0
	4.399	**2.939**

	2019 DKK'000	2018 DKK'000
6. Other financial expenses		
Other interest expenses	647	1.656
Exchange rate adjustments	0	3.262
Other financial expenses	8.797	12.322
	9.444	**17.240**

	2019 DKK'000	2018 DKK'000
7. Tax on profit/loss for the year		
Current tax	6.280	16.476
Change in deferred tax	834	1.717
	7.114	**18.193**

	2019 DKK'000	2018 DKK'000
8. Proposed distribution of profit/loss		
Retained earnings	50.055	59.197
	50.055	**59.197**

Notes to parent financial statements

9. Property, plant and equipment	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	30.007	11.437	9.093	617
Additions	0	1.602	2.918	3.425
Cost end of year	**30.007**	**13.039**	**12.011**	**4.042**
Depreciation and impairment losses beginning of year	(1.117)	(1.721)	(765)	0
Depreciation for the year	(1.339)	(1.447)	(1.525)	0
Depreciation and impairment losses end of year	**(2.456)**	**(3.168)**	**(2.290)**	**0**
Carrying amount end of year	**27.551**	**9.871**	**9.721**	**4.042**
Recognised assets not owned by entity	-	-	**8.576**	-

10. Fixed asset investments	Invest-ments in group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	41	2.427
Additions	2.500	212
Disposals	0	(2.212)
Cost end of year	**2.541**	**427**
Revaluations beginning of year	1.235	0
Exchange rate adjustments	(71)	0
Share of profit/loss for the year	25.559	0
Revaluations end of year	**26.723**	**0**
Carrying amount end of year	**29.264**	**427**

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

Notes to parent financial statements

11. Prepayments

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

	2019 DKK'000	2018 DKK'000
12. Deferred tax		
Property, plant and equipment	2.475	1.911
Inventories	4.547	4.025
Provisions	(2.515)	(2.693)
Liabilities other than provisions	(1.956)	(1.526)
	2.551	**1.717**

Changes during the year	
Beginning of year	1.717
Recognised in the income statement	834
End of year	**2.551**

13. Other provisions

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

	2019 DKK'000	2018 DKK'000
14. Other long-term payables		
Holiday pay obligation	7.826	0
	7.826	**0**

	Due within 12 months 2019 DKK'000	Due within 12 months 2018 DKK'000	Due after more than 12 months 2019 DKK'000	Outstanding after 5 years DKK'000
15. Liabilities other than provisions				
Subordinate loan capital	0	0	74.206	74.206
Bank loans	2.860	0	24.307	12.833
Finance lease liabilities	1.297	926	7.592	578
Other payables	0	0	7.826	0
	4.157	**926**	**113.931**	**87.617**

Notes to parent financial statements

	2019 DKK'000	2018 DKK'000
16. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**3.119**	**4.505**

Of the above liability at 31.12.2019, DKK 1,738k matures within 12 months.

17. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Viking Trading 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, 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 27,551k.

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 31.12.2019 totals DKK 314,321k.

Certain plant and machinery, fixtures and fittings, etc are funded through finance leases. The carrying amount of assets held under finance leases totals DKK 8,576k.

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

19. Related parties with controlling interest

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

20. Transactions with related parties

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 consolidated financial statements and the parent financial statements have been presented applying the accounting policies consistently with last year.

Non-comparability
The comparative figures cover the period 09.02.2018 – 31.12.2018, whereas the current period constitutes the period 01.01.2019 – 31.12.2019, and therefore, the comparative figures are not directly comparable.

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 acquisition

Accounting policies

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

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated 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 life. 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.

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.

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.

Accounting policies

Staff costs
Staff costs comprise salaries and wages as well as 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 comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of property, plant and equipment.

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

Other financial income
Other financial income comprises interest income, including interest income on payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables and transactions in foreign currencies, amortisation of financial liabilities as well as 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 Danish group enterprises. Current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet
Property, plant and equipment
Land and buildings, plant and machinery as well as 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:

Accounting policies

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

In the parent financial statements, investments in group enterprises are recognised and measured 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 under 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 of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as 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

Accounting policies

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 or the planned settlement of each liability.

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.

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

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

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

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

Accounting policies

Joint taxation contributions receivable or payable

Current joint taxation contributions receivable or joint taxation payable is recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as 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 income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as 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 as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash.