Dacapo Stainless A/S

Neptunvej 1, DK-8600 Silkeborg

Annual Report for 1 January - 31 December 2022

CVR No 26 68 82 48

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 1 /3 2023

Kristian Saxtrup Sylvest
Chairman of the General Meeting

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Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Dacapo Stainless A/S for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Silkeborg, 1 March 2023

Executive Board

Henrik Saxtrup Sylvest Executive Officer	Kristian Saxtrup Sylvest CEO

Board of Directors

Jesper Klein-Petersen Chairman	Ole Thisted	Mikkel Holm Iversen
Michael Mortensen		

Independent Auditor's Report

To the Shareholders of Dacapo Stainless A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Dacapo Stainless A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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 Financial Statements" section of our 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.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's and the Group'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 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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the 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.

Aarhus, 1 March 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Bunk Harbo Larsen	Christine Tveteraas
statsautoriseret revisor	statsautoriseret revisor
mne30224	mne34341

Company Information

The Company	Dacapo Stainless A/S Neptunvej 1 DK-8600 Silkeborg CVR No: 26 68 82 48 Financial period: 1 January - 31 December Municipality of reg. office: Silkeborg
Board of Directors	Jesper Klein-Petersen, Chairman Ole Thisted Mikkel Holm Iversen Michael Mortensen
Executive Board	Henrik Saxtrup Sylvest Kristian Saxtrup Sylvest
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	1,843,916	1,303,393	876,389	880,851	883,029
Gross profit/loss	244,498	250,409	95,215	92,648	109,205
Operating profit/loss	146,384	161,580	24,184	25,599	41,845
Net financials	-935	-4,471	-4,795	-6,694	-6,496
Net profit/loss for the year	108,564	120,902	15,610	14,059	27,135
Balance sheet					
Balance sheet total	928,853	730,762	530,048	458,938	444,350
Equity	286,755	206,392	117,004	104,674	90,542
Cash flows					
Cash flows from:					
including investment in property, plant and equipment	-12,296	-6,070	-7,509	-6,952	-4,464
Number of employees	152	142	121	120	117
Ratios					
Gross margin	13.3%	19.2%	10.9%	10.5%	12.4%
Profit margin	7.9%	12.4%	2.8%	2.9%	4.7%
Solvency ratio	30.9%	28.2%	22.1%	22.8%	20.4%
Return on equity	44.0%	74.8%	14.1%	14.4%	35.6%

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

Management's Review

Key activities

The Company's business activity is stockholding and trading of stainless steel primarily in Northern Europe, secondarily in the rest of the World.

The products can be divided into four main groups: Tubes, bars, flats and Fittings and the company are based in 8 countries: Belgium, Denmark, Germany, Holland, Norway, Poland, Slovakia and Sweden.

The products are physically stored in only one location, from where it is distributed to all customers in all countries, regardless of which group company has sold the goods. Tubes, bars and flats are stored in Silkeborg, Denmark and fittings are stored in Helmond, The Netherlands.

The stainless steel is purchased from specialized manufacturers in Europe and in Asia and distributed From warehouses in Denmark and The Netherlands to industrial consumers world-wide through direct conventional sales channels and indirectly as supply partner to other steel resellers.

Digitalization is a cornerstone of the Company's strategy, and digital solutions are continuously developed and applied within all work processes in the Company's value chain.

A significant and increasing part of sales are carried out digitally either via the Company's commercial web portal or in one-to-one digital linkups with key customers and suppliers.

Market overview

Development in activities and finances

The Group's income statement for the fiscal year ended 31th. December, 2022 shows a net profit of DKK 108,564 thousand and the balance sheet shows equity of DKK 286,755 thousand which in addition to subordinated debt of DKK 22,300 thousand add up to a total liable capital of DKK 309,055 thousand and a solvency of 33,3%.

The strong post Covid-19 revival of stainless steel demand seen in 2021 extended well into 2022 with the first 6 months being particularly strong, with tight supply due to long mill lead times and congested freight lanes from Asia resulting in higher prices and margins. The last 2 quarters were more challenging driven by a sharp decline in the Nickel price by almost 50 % from May to July, which triggered a significant decline in sales prices and margins. Y.o.y. steel volumes grew by 11%, revenue by 41% to 1.834,916 thousand, and EBITDA of 155,630 thousand resulting in an EBITDA/rev. ratio of 8,4% which is satisfactory even it is significant lower than 2021 (13,4%). The Company generated a small negative cash flow, while significantly increasing net working capital.

End of the year the Company opened sales offices in Slovakia and increased the total head count by 142 to 152. A plot of land was acquired in Helmond, Holland on which the Company will build a new fittings warehouse and expanded office space, which is necessary to accommodate expected continued growth in the fittings category and domestic sales in Holland.

Management's Review

Uncertainty relating to recognition and measurement

Uncertainty regarding raw materials, exchange rates, inflation and general economic development will continue to influence the market. The war in Ukraine has added further uncertainty factors. The Group will continue to focus on cost efficiency and customer profitability to maintain flexibility and resilience to adverse changes.

Outlook

2023 started with a moderate pickup in demand and an uptick in prices, however still with signs of some destocking and adjustment to more uncertain market conditions. An uncertain macroeconomic environment with high inflation, increasing interest rates and an increased probability of recession clouds the view somewhat, but the Company is confidently targeting an ambitious 2023 budget.

Particular risks

The Group uses currency hedges to hedge purchases of goods. The Group is dependent on the development in the prices of raw materials, especially Nickel and Molybdenum, the latter having almost doubled in price since the beginning of the year, triggering fear of supply shortages on certain steel grades. Market protectionism and escalation in trade conflicts between the main economic regions of the World, can impact the Company.

While the energy situation in EU seems stabilized, a return to the extreme situation seen during 2022 can affect the market and the Company's operating conditions.

Statement of corporate social responsibility

Business model

The Company's business activity is stockholding and trading of stainless steel primarily in Northern Europe, secondarily in the rest of the World.

The products can be divided into four main groups: Tubes, bars, flats and Fittings and the company are based in 8 countries: Belgium, Denmark, Germany, Holland, Norway, Poland, Slovakia and Sweden.

The products are physically stored in only one location, from where it is distributed to all customers in all countries, regardless of which group company has sold the goods. Tubes, bars and flats are stored in Silkeborg, Denmark and fittings are stored in Helmond, The Netherlands.

Environment and climate

The most significant risk of the Company's activities related to environment and climate is the impact of the material handling and transportation of steel. The very nature of steel, its production and its use inheritably leaves a significant carbon footprint, on which the Company only has limited influence.

The Company has launched a CO2 impact calculator, which allows for a quantification of the CO2 footprint resulting from a purchase of steel from the Company. By nature of the factuality this can only be an approximation, however the Company believes the tool adds sought after perspective to the CO_2 impact of buying stainless steel.

The Company endeavors to limit the environmental impact of its existence within all relevant processes and activities. Careful specification and selection of new technology and better utilization of logistical capacity as well as adapted travelling behavior of sales teams are among the initiatives being taken.

After a 2021 authority rejection of an intended installation of wind turbines the Company in 2022 installed solar panels at its main operation in Silkeborg, bringing the Company a significant step closer to being self sufficient with electricity. It is expected that this investment will reduce the Company's on-premises CO_2 footprint by 60% even with the budgeted increase in handled steel volumes.

Labour rights

The main risk related to labor rights concerns employee's motivation as well as physical and psychological well-being. Despite the Covid-19 driven changes in working patterns with much more work taking place alone or in smaller groups, it is the Company's opinion that the negative impact on employee's wellbeing has been only minor.

It is company policy is to maintain and increase employee satisfaction and wellbeing.

The Company maintains a satisfactory staff retention level which duly reflects an intention to offer all employees, regardless of gender or organizational level & responsibility, a safe and motivating work environment. The Company assigns high priority to strict adherence to applicable rules and legislation related to its human resources.

Continuous personal development and upgrading of personal skills for all employees regardless of function and level is a key priority.

As the world and the markets change due to digitalization and environmental requirements, the competencies of the organization will have to change, which is also reflected in the on- & off-hiring that took place in the organization in 2022.

The Company has further developed an internal on-line education program, which assist employees to improve their skills and knowledge within all aspects of the Company's activities including GPDR, IT security, company guidelines and products.

The company will continue to focus on the online education in 2023.

Human rights

The main risk related to human rights is that employees may feel that they are not treated equally and fairly.

Management's Review

The Company has a zero-tolerance policy with regards to racial, religious, sexual or any other type of discrimination. There has been no incidents of such during 2022.

The Company expect that suppliers and business partners ensure that human rights are observed, and that no discrimination due to race, religion, cast, age, nationality, sexual orientation, sex, handicap, union membership or political association takes place.

Management will continue to train employees and continue to set focus and create awareness on the zero-tolerance policy with regards to racial, religious, sexual or any other type of discrimination.

Anti-corruption

The main risk related to anti-corruption is that employees may give gifts/use other means to illegally influence a client or partner decision or vice versa.

The Company is engaged with Eco Vadis and has a strict policy with regards corruption and bribery, and any direct or indirect engagement in or knowledge of any such activity is considered a serious non-acceptable offence. There has been no incidents of such during the year and In 2022, we do not have knowledge of any breaches in Dacapo regarding corruption and bribery in any of the countries in which The Company is active.

The company expects to continue its focus on creating awareness of the strict policy in 2023.

CSR outlook

In cooperation with Eco Vadis and some of our major customers, we are maintaining our CSR policies and documentation thereof within Eco Vadis' CRM analysis, system covering 21 criteria across four themes of Environment, Fair labor & human rights, ethics, and sustainable procurement. The methodology is built on international CSR standards including the Global Reporting Initiative, the United Nations Global Compact, and the ISO 26000.

In September 2021 the Company obtained approval of its environmental management systems acc. ISO 14001:2015, for all group companies. Renewal of certification of quality assurance management systems acc. ISO 9001, was also achieved.

Statement on gender composition

The Board of Directors consist of 4 male members and no females. It is the objective to have one female Board member, this will be considered when changed is needed and latest in 2028, however this far no changes has been made and/or no suitable candidate has been identified and therefore the 2021 goal was not reached.

Dacapo Stainless aims to be an attractive workplace with equal opportunities for all employees. We will continue our work to further support our policy on gender equality at all management levels and throughout the organization.

Management's Review

The Company has a male CEO and an executive management group consisting of one female and eight male executives. In Denmark the group employs 18 females (hereof two manager and two team leaders) and 56 males (hereof four team leaders and one managers). Within the group there are a total of 31 females and 113 males are employed. The overweight of males can be explained by the fact that a lot of the work at the warehouses is heavy work. One third of the 113 male represented, are employed at the warehouses in DK and NL.

When the Company initiates recruitment processes, there is emphasis on identifying female candidates for the open positions in order to obtain a higher degree of gender in the Company.

Data safety and ethics

The Company handles and processes a wide range of data related to its business flow and internal processes, in full observance of relevant local legislation and internal policies for privacy, data integrity and security. The Company is of the opinion that there is no need for a specific policy for data ethics, but will assess such need from time to time.

Events after the balance sheet date

1st of January 2023, the Company opened sales offices in Poland with one employee. More employees will be hired during Q1, and we expect a high growth in Poland the coming years.

No other circumstances have occurred after the balance sheet date that distort the assessment of the annual report.

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Revenue	1	**1,843,916**	**1,303,393**	**1,419,575**	**955,356**
Other operating income		0	0	26,724	23,890
Expenses for raw materials and consumables		-1,484,756	-970,103	-1,291,169	-830,265
Other external expenses		-114,662	-82,881	-41,986	-37,877
Gross profit/loss		**244,498**	**250,409**	**113,144**	**111,104**
Staff expenses	2	-88,724	-80,813	-56,293	-52,988
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-9,390	-8,016	-8,353	-7,197
Other operating expenses		-144	0	-144	0
Profit/loss before financial income and expenses		**146,240**	**161,580**	**48,354**	**50,919**
Income from investments in subsidiaries		0	0	70,825	83,642
Financial income	3	7,273	3,529	9,076	3,155
Financial expenses	4	-8,208	-8,000	-9,114	-6,347
Profit/loss before tax		**145,305**	**157,109**	**119,141**	**131,369**
Tax on profit/loss for the year	5	-36,741	-36,207	-10,577	-10,467
Net profit/loss for the year		**108,564**	**120,902**	**108,564**	**120,902**

Balance Sheet 31 December

Assets

	Note	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
		TDKK	TDKK	TDKK	TDKK
Completed development projects		5,353	4,339	5,353	4,339
Intangible assets	6	**5,353**	**4,339**	**5,353**	**4,339**
Other fixtures and fittings, tools and equipment		19,452	13,527	16,812	11,056
Property, plant and equipment	7	**19,452**	**13,527**	**16,812**	**11,056**
Investments in subsidiaries	8	0	0	160,010	127,409
Deposits	9	161	162	109	109
Fixed asset investments		**161**	**162**	**160,119**	**127,518**
Fixed assets		**24,966**	**18,028**	**182,284**	**142,913**
Finished goods and goods for resale		514,752	385,658	394,901	301,704
Prepayments for goods		5,975	24,995	5,975	24,995
Inventories		**520,727**	**410,653**	**400,876**	**326,699**
Trade receivables		282,533	215,869	127,895	102,843
Receivables from group enterprises		77,709	71,678	85,141	82,329
Other receivables	14	9,945	12,144	3,599	12,074
Deferred tax asset	12	327	0	327	0
Prepayments	10	8,176	2,199	2,476	1,648
Receivables		**378,690**	**301,890**	**219,438**	**198,894**
Cash at bank and in hand		**4,470**	**191**	**1,604**	**85**
Currents assets		**903,887**	**712,734**	**621,918**	**525,678**
Assets		**928,853**	**730,762**	**804,202**	**668,591**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent Company	
	Note	2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Share capital		2,223	2,223	2,223	2,223
Reserve for net revaluation under the equity method		0	0	137,992	106,136
Reserves for exchange rate conversion		-6,810	-1,342	0	0
Reserve for hedging transactions		-2,748	2,985	-2,748	2,985
Retained earnings		274,090	185,526	129,288	78,048
Proposed dividend for the year		20,000	17,000	20,000	17,000
Equity		**286,755**	**206,392**	**286,755**	**206,392**
Provision for deferred tax	12	12,971	6,961	0	1,022
Provisions		**12,971**	**6,961**	**0**	**1,022**
Subordinate loan capital		22,300	22,300	22,300	22,300
Lease obligations		5,972	4,197	5,972	4,197
Long-term debt	13	**28,272**	**26,497**	**28,272**	**26,497**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent Company	
	Note	2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Credit institutions		220,610	210,108	143,409	149,526
Lease obligations	13	1,516	1,191	1,254	852
Trade payables		304,542	216,337	261,953	207,488
Payables to group enterprises		0	0	52,212	55,600
Corporation tax		28,834	11,745	0	0
Payables to group enterprises relating to corporation tax		10,309	10,893	10,309	10,893
Other payables	14	34,812	40,638	20,038	10,321
Deferred income	15	232	0	0	0
Short-term debt		**600,855**	**490,912**	**489,175**	**434,680**
Debt		**629,127**	**517,409**	**517,447**	**461,177**
Liabilities and equity		**928,853**	**730,762**	**804,202**	**668,591**

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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Reserves for exchange rate conversion	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	2,223	0	-1,342	2,985	185,526	17,000	206,392
Exchange adjustments	0	0	-5,468	0	0	0	-5,468
Ordinary dividend paid	0	0	0	0	0	-17,000	-17,000
Fair value adjustment of hedging instruments, beginning of year	0	0	0	-7,350	0	0	-7,350
Fair value adjustment of hedging instruments, end of year	0	0	0	1,617	0	0	1,617
Net profit/loss for the year	0	0	0	0	88,564	20,000	108,564
Equity at 31 December	**2,223**	**0**	**-6,810**	**-2,748**	**274,090**	**20,000**	**286,755**

Statement of Changes in Equity

Parent Company

	Share capital	Reserve for net revaluation under the equity method	Reserves for exchange rate conversion	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	2,223	106,136	0	2,985	78,048	17,000	206,392
Ordinary dividend paid	0	0	0	0	0	-17,000	-17,000
Exchange adjustments relating to foreign entities	0	-5,468	0	0	0	0	-5,468
Fair value adjustment of hedging instruments, beginning of year	0	0	0	-7,350	0	0	-7,350
Fair value adjustment of hedging instruments, end of year	0	0	0	1,617	0	0	1,617
Net profit/loss for the year	0	37,324	0	0	51,240	20,000	108,564
Equity at 31 December	**2,223**	**137,992**	**0**	**-2,748**	**129,288**	**20,000**	**286,755**

Cash Flow Statement 1 January - 31 December

	Note	Group 2022	Group 2021
		TDKK	TDKK
Net profit/loss for the year		108,564	120,902
Adjustments	16	47,117	47,193
Change in working capital	17	-103,937	-130,312
Cash flows from operating activities before financial income and expenses		**51,744**	**37,783**
Financial income		7,273	3,530
Financial expenses		-8,207	-8,000
Cash flows from ordinary activities		**50,810**	**33,313**
Corporation tax paid		-25,079	-9,490
Cash flows from operating activities		**25,731**	**23,823**
Purchase of intangible assets		-4,758	-2,272
Purchase of property, plant and equipment		-12,296	-6,070
Fixed asset investments made etc		0	-11
Cash flows from investing activities		**-17,054**	**-8,353**
Repayment of loans from credit institutions		0	-2,319
Reduction of lease obligations		0	-243
Raising of loans from credit institutions		10,502	0
Lease obligations incurred		2,100	0
Raising of other long-term debt		0	15,700
Dividend paid		-17,000	-28,556
Cash flows from financing activities		**-4,398**	**-15,418**
Change in cash and cash equivalents		**4,279**	**52**
Cash and cash equivalents at 1 January		191	139
Cash and cash equivalents at 31 December		**4,470**	**191**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		4,470	191
Cash and cash equivalents at 31 December		**4,470**	**191**

Notes to the Financial Statements

		Group		Parent Company	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
1	**Revenue**				
	Geographical segments				
	Denmark	624,813	393,360	624,721	463,254
	Other EU-contries	1,062,678	812,008	787,774	489,094
	Other contries	156,425	98,025	7,080	3,008
		1,843,916	**1,303,393**	**1,419,575**	**955,356**
2	**Staff expenses**				
	Wages and salaries	77,498	72,279	50,193	48,141
	Pensions	5,286	4,469	2,746	2,229
	Other social security expenses	1,814	1,290	162	101
	Other staff expenses	4,126	2,775	3,192	2,517
		88,724	**80,813**	**56,293**	**52,988**
	Including remuneration to the Executive Board and Board of Directors of:				
	Executive Board	9,805	10,805	9,805	10,805
	Board of Directors	350	350	350	350
		10,155	**11,155**	**10,155**	**11,155**
	Average number of employees	**152**	**142**	**77**	**66**
3	**Financial income**				
	Interest received from group enterprises	0	1,468	1,770	1,567
	Other financial income	1,306	2,061	944	1,588
	Exchange adjustments	5,967	0	6,362	0
		7,273	**3,529**	**9,076**	**3,155**

Notes to the Financial Statements

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
4 Financial expenses				
Interest paid to group enterprises	1,443	1,795	5,261	3,006
Other financial expenses	6,765	6,205	3,853	3,341
	8,208	**8,000**	**9,114**	**6,347**
5 Tax on profit/loss for the year				
Current tax for the year	36,473	36,631	10,309	10,893
Deferred tax for the year	268	-420	268	-420
Adjustment of tax concerning previous years	0	-1,312	0	-1,314
Adjustment of deferred tax concerning previous years	0	1,308	0	1,308
	36,741	**36,207**	**10,577**	**10,467**

Notes to the Financial Statements

6 Intangible assets

Group

	Completed development projects
	TDKK
Cost at 1 January	31,267
Additions for the year	4,758
Cost at 31 December	36,025
Impairment losses and amortisation at 1 January	26,928
Amortisation for the year	3,744
Impairment losses and amortisation at 31 December	30,672
Carrying amount at 31 December	**5,353**

The company has recognized development projects regarding its IT-systems, which is used on a daily basis, which in turn justifies the recognized value.

Parent Company

	Completed development projects
	TDKK
Cost at 1 January	31,267
Additions for the year	4,758
Cost at 31 December	36,025
Impairment losses and amortisation at 1 January	26,928
Amortisation for the year	3,744
Impairment losses and amortisation at 31 December	30,672
Carrying amount at 31 December	**5,353**

The company has recognized development projects regarding its IT-systems, which is used on a daily basis, which in turn justifies the recognized value.

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment
	TDKK
Cost at 1 January	45,500
Additions for the year	12,296
Disposals for the year	-1,201
Cost at 31 December	56,595
Impairment losses and depreciation at 1 January	31,973
Depreciation for the year	5,645
Impairment and depreciation of sold assets for the year	-475
Impairment losses and depreciation at 31 December	37,143
Carrying amount at 31 December	**19,452**
Including assets under finance leases amounting to	15,497

Notes to the Financial Statements

7 **Property, plant and equipment** (continued)

Parent Company

	Other fixtures and fittings, tools and equipment
	TDKK
Cost at 1 January	39,598
Additions for the year	11,091
Disposals for the year	-1,201
Kostpris at 31 December	49,488
Impairment losses and depreciation at 1 January	28,542
Depreciation for the year	4,609
Impairment and depreciation of sold assets for the year	-475
Impairment losses and depreciation at 31 December	32,676
Carrying amount at 31 December	**16,812**
Including assets under finance leases amounting to	9,864

Notes to the Financial Statements

	Parent Company	
	2022	2021
	TDKK	TDKK
8 Investments in subsidiaries		
Cost at 1 January	21,273	21,273
Additions for the year	745	0
Cost at 31 December	22,018	21,273
Value adjustments at 1 January	106,136	30,621
Exchange adjustment	-5,468	-749
Net profit/loss for the year	70,825	83,642
Dividend to the Parent Company	-33,430	0
Revaluations for the year, net	0	-7,418
Other adjustments	-71	40
Value adjustments at 31 December	137,992	106,136
Carrying amount at 31 December	**160,010**	**127,409**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Dacapo Stainless AS	Norway	100%
Dacapo Stainless AB	Sweden	100%
Dacapo Stainless B.V.	Netherlands	100%
Dacapo Stainless GmbH	Germany	100%
Dacapo Stainless BVBA	Belgium	100%
Dacapo Stainless Internatinoal B.V.	Netherlands	100%
Dacapo Stainless s.r.o.	Slovakia	100%

Notes to the Financial Statements

9 Other fixed asset investments

	Group	Parent Company
	Deposits	Deposits
	TDKK	TDKK
Cost at 1 January	162	109
Exchange adjustment	-1	0
Cost at 31 December	161	109
Carrying amount at 31 December	**161**	**109**

10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

11 Distribution of profit

	Parent Company	
	2022	2021
	TDKK	TDKK
Extraordinary dividend paid	0	28,556
Proposed dividend for the year	20,000	17,000
Reserve for net revaluation under the equity method	37,324	67,917
Retained earnings	51,240	7,429
	108,564	**120,902**

Notes to the Financial Statements

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
12 Provision for deferred tax				
Provision for deferred tax at 1 January	6,961	205	1,022	-1,324
Amounts recognised in the income statement for the year	268	-420	268	-420
Amounts recognised in equity for the year	5,415	7,176	-1,617	2,766
Provision for deferred tax at 31 December	**12,644**	**6,961**	**-327**	**1,022**

The tax assets arise primarily from tax losses carried forward.

Management expects that the group will obtain positive earnings and thus, the deferred tax assets can be used in the future.

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Subordinate loan capital				
Between 1 and 5 years	22,300	22,300	22,300	22,300
Long-term part	22,300	22,300	22,300	22,300
Within 1 year	0	0	0	0
	22,300	**22,300**	**22,300**	**22,300**
Lease obligations				
Between 1 and 5 years	5,972	4,197	5,972	4,197
Long-term part	5,972	4,197	5,972	4,197
Within 1 year	1,516	1,191	1,254	852
	7,488	**5,388**	**7,226**	**5,049**

Notes to the Financial Statements

14 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Assets	0	3,827	0	3,827
Liabilities	3,524	0	3,524	0

Forward exchange contracts have been concluded to hedge the currency risk in future purchase of goods in USD. The fair value adjustment is registered on equity and is expected to be realized in profit and loss after balance date. The currency hedges runs 0 to 6 months.

Group

	Value adjust-ment, income statement	Value adjust-ment, equity	Fair value at 31 December
	TDKK	TDKK	TDKK
Forward exchange contracts	0	-7,351	-3,524

Parent Company

	Value adjust-ment, income statement	Value adjust-ment, equity	Fair value at 31 December
	TDKK	TDKK	TDKK
Forward exchange contracts	0	-7,351	-3,524

15 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

		Group	
		2022	2021
		TDKK	TDKK
16	**Cash flow statement - adjustments**		
	Financial income	-7,273	-3,529
	Financial expenses	8,208	8,000
	Depreciation, amortisation and impairment losses, including losses and gains on sales	9,534	8,015
	Tax on profit/loss for the year	36,741	36,207
	Other adjustments	-93	-1,500
		47,117	**47,193**

17	**Cash flow statement - change in working capital**		
	Change in inventories	-110,075	-135,723
	Change in receivables	-76,472	-69,545
	Change in trade payables, etc	82,610	74,956
		-103,937	**-130,312**

Notes to the Financial Statements

18 Contingent assets, liabilities and other financial obligations

Contingent assets

Dacapo Stainless A/S is part of an ongoing case regarding import duty on imported goods. Management is convinced that they will prevail once the case is settled. The contingent asset amount to kDKK 7.656.

Contingent liabilities

Lease obligations under operating leases. Total future lease payments:	15,497	12,535	9,864	8,974
Of this, lease obligations to group companies amounts to	5,993	5,875	5,993	2,875

Unsecured claims owned by Dacapo Stainless AB have been put up as security for credit facilities in Danske Bank. Unsecured claims amounts to DKK 28,799k.

Unsecured claims owned by Dacapo Stainless AS have been put up as security for credit facilities in Danske Bank. Unsecured claims amounts to DKK 10,627k.

Dacapo Stainless A/S has a company charge of DKK 130,000k as security for credit facilities in for bank loans, which amounts to DKK 143,409k. The company charge consists of unsecured claims DKK 127,895k, inventory DKK 400,876k, operating equipment DKK 16,812k, which has been put as security for credit facilities in Nykredit as weel as pledges in shares in group companies, which amounts to DKK 160,119k.

Dacapo Stainless A/S participates in a joint danish taxation arrangement in which Dacapo Holding A/S, Neptunvej 1, 8600 Silkeborg, Denmark serves as the administration company for taxation purposes. The jointly taxed companies are jointly and severally liable for tax on the jointly taxed incomes etc of the jointly taxed companies. Moreover, the jointly taxed companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corpo ration taxes and withholding taxes may increase the Company’s liability.

Notes to the Financial Statements

19 Related parties

	Basis
Controlling interest	
Dacapo Holding A/S	Parent company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The company is included in the Consolidated Financial Statement for the Parent Company:

Name	Place of registered office
Dacapo Holding A/S	Silkeborg

20 Fee to auditors appointed at the general meeting

With reference to the Danish Financial Statements Act, section 96, subsection 3 and to the note on fee to auditor appointed by the general meeting in the consolidated financial statements for Dacapo Holding A/S, CVR no. 27 40 03 97 has the company omited to prepare the note on fee to auditors appointed by the general meeting.

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of Dacapo Stainless A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2022 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Dacapo Stainless A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

21 Accounting Policies (continued)

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Notes to the Financial Statements

21 Accounting Policies (continued)

Hedge accounting

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Revenue

Information on geographical segments based on the Group´s risks and returns and its internal financial reporting system. The Dacapo Group has not performed a segmentation of activities as it considers its activities as one segment.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Notes to the Financial Statements

21 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 3 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Notes to the Financial Statements

21 Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-10	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Notes to the Financial Statements

21 Accounting Policies (continued)

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the de-

Notes to the Financial Statements

21 Accounting Policies (continued)

ferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

Notes to the Financial Statements

21 Accounting Policies (continued)

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$