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# ***Dacapo Holding A/S***

Neptunvej 1, DK-8600 Silkeborg

## **Annual Report for 1 January - 31 December 2022**

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CVR No 27 40 03 96

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



**pwc**

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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Dacapo Holding 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

Kristian Saxtrup Sylvest  
Executive Officer

## Board of Directors

Jesper Klein-Petersen  
Chairman

Henrik Saxtrup Sylvest

Kristian Saxtrup Sylvest

# Independent Auditor's Report

To the Shareholders of Dacapo Holding 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 Holding 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 Financial 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

## Independent Auditor's Report

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  
statsautoriseret revisor  
mne30224

Christine Tveteraas  
statsautoriseret revisor  
mne34341

## **Company Information**

### **The Company**

Dacapo Holding A/S  
Neptunvej 1  
DK-8600 Silkeborg

CVR No: 27 40 03 96  
Financial period: 1 January - 31 December  
Municipality of reg. office: Silkeborg

### **Board of Directors**

Jesper Klein-Petersen, Chairman  
Henrik Saxtrup Sylvest  
Kristian Saxtrup Sylvest

### **Executive Board**

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:

	<b>Group</b>				
	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	1,843,916	1,303,393	876,389	880,851	883,029
Gross profit/loss	250,049	255,743	99,625	96,317	113,247
Operating profit/loss	150,247	165,748	27,425	28,457	45,107
Net financials	-3,945	-7,399	-7,858	-10,062	-11,728
Net profit/loss for the year	109,978	122,587	16,272	21,131	27,089
<b>Balance sheet</b>					
Balance sheet total	955,414	753,953	554,363	471,195	451,697
Equity	274,057	188,846	97,019	83,492	70,248
<b>Cash flows</b>					
Cash flows from:					
including investment in property, plant and equipment	-20,552	-8,368	-8,032	-29,770	-10,649
Number of employees	152	142	121	120	117
<b>Ratios</b>					
Gross margin	13.6%	19.6%	11.4%	10.9%	12.8%
Profit margin	8.1%	12.7%	3.1%	2.9%	4.7%
Solvency ratio	28.7%	25.0%	17.5%	17.7%	15.6%
Return on equity	47.5%	85.8%	18.0%	27.5%	48.6%

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 the year

The Group's income statement for the fiscal year ended 31st. December, 2022 shows a net profit of DKK 109,978 thousand and the balance sheet shows equity of DKK 274,057 thousand which in addition to subordinated debt of DKK 22,300 thousand add up to a total liable capital of DKK 296.357 thousand and a solvency of 31,0%.

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 1,843,916 thousand, and EBITDA of 161.181 thousand resulting in an EBITDA/rev. ratio of 8,1% which is satisfactory even it is significant lower than 2021 (12,7%). 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

## **Management's Review**

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<sub>2</sub> 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<sub>2</sub> 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.

### ***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.

# Management's Review

## 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.

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.

## 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 TDKK	2021 TDKK	2022 TDKK	2021 TDKK
<b>Revenue</b>	1	<b>1,843,916</b>	<b>1,303,393</b>	<b>5,875</b>	<b>5,760</b>
Expenses for raw materials and consumables		-1,484,756	-970,103	0	0
Other external expenses		-109,111	-77,547	-324	-426
<b>Gross profit/loss</b>		<b>250,049</b>	<b>255,743</b>	<b>5,551</b>	<b>5,334</b>
Staff expenses	2	-88,724	-80,813	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-11,078	-9,182	-1,688	-1,166
Other operating expenses		-144	0	0	0
<b>Profit/loss before financial income and expenses</b>		<b>150,103</b>	<b>165,748</b>	<b>3,863</b>	<b>4,168</b>
Income from investments in subsidiaries		0	0	97,684	107,485
Financial income		7,355	2,079	82	18
Financial expenses	3	-11,300	-9,478	-3,092	-2,946
<b>Profit/loss before tax</b>		<b>146,158</b>	<b>158,349</b>	<b>98,537</b>	<b>108,725</b>
Tax on profit/loss for the year	4	-36,180	-35,762	561	445
<b>Net profit/loss for the year</b>		<b>109,978</b>	<b>122,587</b>	<b>99,098</b>	<b>109,170</b>

# Balance Sheet 31 December

## Assets

	Note	Group		Parent Company	
		2022 TDKK	2021 TDKK	2022 TDKK	2021 TDKK
Completed development projects		5,353	4,339	0	0
<b>Intangible assets</b>	5	<b>5,353</b>	<b>4,339</b>	<b>0</b>	<b>0</b>
Land and buildings		86,012	77,255	86,012	77,255
Other fixtures and fittings, tools and equipment		19,452	13,527	0	0
<b>Property, plant and equipment</b>	6	<b>105,464</b>	<b>90,782</b>	<b>86,012</b>	<b>77,255</b>
Investments in subsidiaries	7	0	0	258,044	185,738
Deposits	8	161	162	0	0
<b>Fixed asset investments</b>		<b>161</b>	<b>162</b>	<b>258,044</b>	<b>185,738</b>
<b>Fixed assets</b>		<b>110,978</b>	<b>95,283</b>	<b>344,056</b>	<b>262,993</b>
Finished goods and goods for resale		514,752	385,658	0	0
Prepayments for goods		5,975	24,995	0	0
<b>Inventories</b>		<b>520,727</b>	<b>410,653</b>	<b>0</b>	<b>0</b>
Trade receivables		282,533	215,869	0	0
Receivables from associates		16,839	16,440	16,839	16,440
Other receivables	13	10,951	13,133	1,007	989
Receivable from shareholders and Management		0	5	0	5
Deferred tax asset	11	327	0	0	0
Corporation tax		308	134	308	134
Prepayments	9	8,177	2,199	0	0
<b>Receivables</b>		<b>319,135</b>	<b>247,780</b>	<b>18,154</b>	<b>17,568</b>
<b>Cash at bank and in hand</b>		<b>4,574</b>	<b>237</b>	<b>104</b>	<b>46</b>
<b>Currents assets</b>		<b>844,436</b>	<b>658,670</b>	<b>18,258</b>	<b>17,614</b>
<b>Assets</b>		<b>955,414</b>	<b>753,953</b>	<b>362,314</b>	<b>280,607</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	Group		Parent Company	
		2022 TDKK	2021 TDKK	2022 TDKK	2021 TDKK
Share capital		900	900	900	900
Revaluation reserve		16,114	14,830	16,114	14,830
Reserve for net revaluation under the equity method		0	0	200,210	145,902
Reserves for exchange rate conversion		-5,555	-1,208	0	0
Reserve for hedging transactions		-2,415	1,889	-461	-1,890
Retained earnings		218,302	136,781	10,583	-6,550
Proposed dividend for the year		18,000	15,000	18,000	15,000
<b>Equity attributable to shareholders of the Parent Company</b>		<b>245,346</b>	<b>168,192</b>	<b>245,346</b>	<b>168,192</b>
Minority interests		28,711	20,654	0	0
<b>Equity</b>		<b>274,057</b>	<b>188,846</b>	<b>245,346</b>	<b>168,192</b>
Provision for deferred tax	11	19,121	11,955	6,150	4,994
<b>Provisions</b>		<b>19,121</b>	<b>11,955</b>	<b>6,150</b>	<b>4,994</b>
Subordinate loan capital		22,300	22,300	0	0
Mortgage loans		30,686	31,868	30,686	31,868
Lease obligations		5,972	4,197	0	0
<b>Long-term debt</b>	12	<b>58,958</b>	<b>58,365</b>	<b>30,686</b>	<b>31,868</b>



# Balance Sheet 31 December

## Liabilities and equity

	Note	Group		Parent Company	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Mortgage loans	12	1,759	2,327	1,759	2,327
Credit institutions		220,610	210,108	0	0
Lease obligations	12	1,516	1,191	0	0
Trade payables		304,598	216,337	56	0
Payables to group enterprises		0	0	77,709	70,478
Corporation tax		28,834	11,745	0	0
Payables to group enterprises relating to corporation tax		10,309	10,893	0	0
Other payables	13	35,420	42,186	608	2,748
Deferred income	14	232	0	0	0
<b>Short-term debt</b>		<b>603,278</b>	<b>494,787</b>	<b>80,132</b>	<b>75,553</b>
<b>Debt</b>		<b>662,236</b>	<b>553,152</b>	<b>110,818</b>	<b>107,421</b>
<b>Liabilities and equity</b>		<b>955,414</b>	<b>753,953</b>	<b>362,314</b>	<b>280,607</b>
Distribution of profit	10				
Contingent assets, liabilities and other financial obligations	17				
Related parties	18				
Fee to auditors appointed at the general meeting	19				
Accounting Policies	20				

## Statement of Changes in Equity

### Group

	Share capital	Revaluation reserve	Reserve for net revaluation under the equity method	Reserves for exchange rate conversion	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	900	14,830	0	-1,208	1,889	136,781	15,000	168,192	20,654	188,846
Exchange adjustments	0	0	0	-4,347	0	0	0	-4,347	-547	-4,894
Ordinary dividend paid	0	0	0	0	0	0	-15,000	-15,000	-1,702	-16,702
Revaluation for the year	0	2,188	0	0	0	0	0	2,188	0	2,188
Tax on revaluation for the year	0	-481	0	0	0	0	0	-481	0	-481
Fair value adjustment of hedging instruments, end of year	0	0	0	0	-5,519	0	0	-5,519	-574	-6,093
Tax on adjustment of hedging instruments for the year	0	0	0	0	1,215	0	0	1,215	0	1,215
Depreciation, amortisation and impairment for the year	0	-423	0	0	0	423	0	0	0	0
Net profit/loss for the year	0	0	0	0	0	81,098	18,000	99,098	10,880	109,978
<b>Equity at 31 December</b>	<b>900</b>	<b>16,114</b>	<b>0</b>	<b>-5,555</b>	<b>-2,415</b>	<b>218,302</b>	<b>18,000</b>	<b>245,346</b>	<b>28,711</b>	<b>274,057</b>

# Statement of Changes in Equity

## Parent Company

	Share capital	Revaluation reserve	Reserve for net revaluation under the equity method	Reserves for exchange rate conversion	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	900	14,830	145,902	0	-1,890	-6,550	15,000	168,192	0	168,192
Exchange adjustments	0	0	-4,921	0	0	0	0	-4,921	0	-4,921
Ordinary dividend paid	0	0	0	0	0	0	-15,000	-15,000	0	-15,000
Revaluation for the year	0	2,188	0	0	0	0	0	2,188	0	2,188
Tax on revaluation for the year	0	-481	0	0	0	0	0	-481	0	-481
Fair value adjustment of hedging instruments, end of year	0	0	-5,159	0	1,832	0	0	-3,327	0	-3,327
Tax on adjustment of hedging instruments for the year	0	0	0	0	-403	0	0	-403	0	-403
Depreciation, amortisation and impairment for the year	0	-423	0	0	0	423	0	0	0	0
Net profit/loss for the year	0	0	64,388	0	0	16,710	18,000	99,098	0	99,098
<b>Equity at 31 December</b>	<b>900</b>	<b>16,114</b>	<b>200,210</b>	<b>0</b>	<b>-461</b>	<b>10,583</b>	<b>18,000</b>	<b>245,346</b>	<b>0</b>	<b>245,346</b>

## Cash Flow Statement 1 January - 31 December

	Note	Group	
		2022 TDKK	2021 TDKK
Net profit/loss for the year		109,978	122,587
Adjustments	15	51,253	50,859
Change in working capital	16	-99,204	-131,604
<b>Cash flows from operating activities before financial income and expenses</b>		<b>62,027</b>	<b>41,842</b>
Financial income		7,355	2,080
Financial expenses		-11,300	-9,479
<b>Cash flows from ordinary activities</b>		<b>58,082</b>	<b>34,443</b>
Corporation tax paid		-24,287	-9,975
<b>Cash flows from operating activities</b>		<b>33,795</b>	<b>24,468</b>
Purchase of intangible assets		-4,758	-2,273
Purchase of property, plant and equipment		-20,552	-8,368
Fixed asset investments made etc		0	-10
<b>Cash flows from investing activities</b>		<b>-25,310</b>	<b>-10,651</b>
Repayment of mortgage loans		-1,750	0
Repayment of loans from credit institutions		0	-8,832
Raising of mortgage loans		0	6,848
Raising of loans from credit institutions		10,502	0
Lease obligations incurred		2,100	1,121
Raising of other long-term debt		0	15,700
Dividend paid		-15,000	-28,556
<b>Cash flows from financing activities</b>		<b>-4,148</b>	<b>-13,719</b>
<b>Change in cash and cash equivalents</b>		<b>4,337</b>	<b>98</b>
Cash and cash equivalents at 1 January		237	139
<b>Cash and cash equivalents at 31 December</b>		<b>4,574</b>	<b>237</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		4,574	237
<b>Cash and cash equivalents at 31 December</b>		<b>4,574</b>	<b>237</b>

# Notes to the Financial Statements

	Group		Parent Company	
	2022 TDKK	2021 TDKK	2022 TDKK	2021 TDKK
<b>1 Revenue</b>				
<b>Geographical segments</b>				
Denmark	624,813	393,360	5,875	5,760
Other EU-contries	1,062,678	812,008	0	0
Other contries	156,425	98,025	0	0
	<b>1,843,916</b>	<b>1,303,393</b>	<b>5,875</b>	<b>5,760</b>
<b>2 Staff expenses</b>				
Wages and salaries	77,498	72,279	0	0
Pensions	5,286	4,469	0	0
Other social security expenses	1,814	1,290	0	0
Other staff expenses	4,126	2,775	0	0
	<b>88,724</b>	<b>80,813</b>	<b>0</b>	<b>0</b>
Including remuneration to the Board of Directors of: Executive Board and Board of Directors	5,021	5,721	0	0
	<b>5,021</b>	<b>5,721</b>	<b>0</b>	<b>0</b>
<b>Average number of employees</b>	<b>152</b>	<b>142</b>	<b>0</b>	<b>0</b>
<b>3 Financial expenses</b>				
Interest paid to group enterprises	0	0	1,443	1,400
Other financial expenses	11,300	9,478	1,649	1,546
	<b>11,300</b>	<b>9,478</b>	<b>3,092</b>	<b>2,946</b>

## Notes to the Financial Statements

	Group		Parent Company	
	2022 TDKK	2021 TDKK	2022 TDKK	2021 TDKK
<b>4 Tax on profit/loss for the year</b>				
Current tax for the year	36,473	36,625	0	-6
Deferred tax for the year	-675	1,120	675	-328
Adjustment of tax concerning previous years	-833	-1,210	-833	102
Adjustment of deferred tax concerning previous years	0	1,308	0	0
	<b>34,965</b>	<b>37,843</b>	<b>-158</b>	<b>-232</b>
which breaks down as follows:				
Tax on profit/loss for the year	36,180	35,762	-561	-445
Tax on changes in equity	-1,215	2,081	403	213
	<b>34,965</b>	<b>37,843</b>	<b>-158</b>	<b>-232</b>

## 5 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
<b>Carrying amount at 31 December</b>	<b>5,353</b>

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

## 6 Property, plant and equipment

### Group

	Land and buildings	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 January	63,126	45,500
Additions for the year	8,256	12,296
Disposals for the year	0	-1,201
Cost at 31 December	<u>71,382</u>	<u>56,595</u>
Revaluations at 1 January	18,626	0
Revaluations for the year	2,188	0
Revaluations at 31 December	<u>20,814</u>	<u>0</u>
Impairment losses and depreciation at 1 January	4,496	31,973
Depreciation for the year	1,688	5,645
Impairment and depreciation of sold assets for the year	0	-475
Impairment losses and depreciation at 31 December	<u>6,184</u>	<u>37,143</u>
<b>Carrying amount at 31 December</b>	<b><u>86,012</u></b>	<b><u>19,452</u></b>
Including assets under finance leases amounting to	<u>0</u>	<u>15,497</u>

# Notes to the Financial Statements

## 6 Property, plant and equipment (continued)

### Parent Company

	Land and buildings
	<u>TDKK</u>
Cost at 1 January	63,126
Additions for the year	<u>8,256</u>
Kostpris at 31 December	<u>71,382</u>
Revaluations at 1 January	18,626
Revaluations for the year	<u>2,188</u>
Revaluations at 31 December	<u>20,814</u>
Impairment losses and depreciation at 1 January	4,496
Depreciation for the year	<u>1,688</u>
Impairment losses and depreciation at 31 December	<u>6,184</u>
<b>Carrying amount at 31 December</b>	<b><u>86,012</u></b>



## Notes to the Financial Statements

	<b>Parent Company</b>	
	2022	2021
	TDKK	TDKK
<b>7 Investments in subsidiaries</b>		
Cost at 1 January	39,836	39,836
Cost at 31 December	39,836	39,836
Value adjustments at 1 January	145,902	65,467
Exchange adjustment	-4,921	-674
Net profit/loss for the year	97,684	107,485
Dividend to the Parent Company	-15,298	-25,700
Fair value adjustment of hedging instruments for the year	-5,159	5,964
Other adjustments	0	-6,640
Value adjustments at 31 December	218,208	145,902
<b>Carrying amount at 31 December</b>	<b>258,044</b>	<b>185,738</b>

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 Internatioal B.V.	Netherlands	100%
Dacapo Stainless s.r.o.	Slovakia	100%

## 8 Other fixed asset investments

	<b>Group</b>
	Deposits
	TDKK
Cost at 1 January	162
Exchange adjustment	-1
Cost at 31 December	161
<b>Carrying amount at 31 December</b>	<b>161</b>

# Notes to the Financial Statements

## 9 Prepayments

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

	<b>Group</b>		<b>Parent Company</b>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	TDKK	TDKK	TDKK	TDKK
<b>10 Distribution of profit</b>				
Extraordinary dividend paid	0	25,700	0	0
Proposed dividend for the year	18,000	15,000	18,000	15,000
Reserve for net revaluation under the equity method	0	13,417	64,388	107,485
Minority interests' share of net profit/loss of subsidiaries	10,880	0	0	0
Retained earnings	81,098	68,470	16,710	-13,315
	<u><b>109,978</b></u>	<u><b>122,587</b></u>	<u><b>99,098</b></u>	<u><b>109,170</b></u>

	<b>Group</b>		<b>Parent Company</b>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	TDKK	TDKK	TDKK	TDKK
<b>11 Provision for deferred tax</b>				
Provision for deferred tax at 1 January	11,955	5,528	4,994	5,323
Amounts recognised in the income statement for the year	540	-748	272	-328
Amounts recognised in equity for the year	6,299	7,175	884	-1
<b>Provision for deferred tax at 31 December</b>	<u><b>18,794</b></u>	<u><b>11,955</b></u>	<u><b>6,150</b></u>	<u><b>4,994</b></u>

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.

# Notes to the Financial Statements

## 12 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 TDKK	2021 TDKK	2022 TDKK	2021 TDKK
<b>Subordinate loan capital</b>				
Between 1 and 5 years	22,300	22,300	0	0
Long-term part	22,300	22,300	0	0
Within 1 year	0	0	0	0
	<b>22,300</b>	<b>22,300</b>	<b>0</b>	<b>0</b>
<b>Mortgage loans</b>				
After 5 years	23,552	25,577	23,552	25,577
Between 1 and 5 years	7,134	6,291	7,134	6,291
Long-term part	30,686	31,868	30,686	31,868
Within 1 year	1,759	2,327	1,759	2,327
	<b>32,445</b>	<b>34,195</b>	<b>32,445</b>	<b>34,195</b>
<b>Lease obligations</b>				
Between 1 and 5 years	5,972	4,197	0	0
Long-term part	5,972	4,197	0	0
Within 1 year	1,516	1,191	0	0
	<b>7,488</b>	<b>5,388</b>	<b>0</b>	<b>0</b>

## Notes to the Financial Statements

### 13 Derivative financial instruments

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

	<b>Group</b>		<b>Parent Company</b>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	TDKK	TDKK	TDKK	TDKK
Assets	0	3,827	0	0
Liabilities	4,115	2,423	591	2,423

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.

Interest rate swap contracts have been concluded to hedge future interest payments on floating rate loans. The contracts have term of 6 years. Under the contracts, an interest rate of EUBOR 3 months is exchanged for a fixed rate of interest of 4.85 %.

#### Group

	<u>Value adjust- ment, income statement</u>	<u>Value adjust- ment, equity</u>	<u>Fair value at 31 December</u>
	TDKK	TDKK	TDKK
Forward exchange contracts	0	-5,519	-4,115

#### Parent Company

	<u>Value adjust- ment, income statement</u>	<u>Value adjust- ment, equity</u>	<u>Fair value at 31 December</u>
	TDKK	TDKK	TDKK
Forward exchange contracts	0	1,832	-591

# Notes to the Financial Statements

## 14 Deferred income

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

	Group	
	2022 TDKK	2021 TDKK
<b>15 Cash flow statement - adjustments</b>		
Financial income	-7,355	-2,079
Financial expenses	11,300	9,478
Depreciation, amortisation and impairment losses, including losses and gains on sales	11,222	9,182
Tax on profit/loss for the year	36,180	35,762
Other adjustments	-94	-1,484
	<b>51,253</b>	<b>50,859</b>

## 16 Cash flow statement - change in working capital

Change in inventories	-110,075	-135,723
Change in receivables	-70,854	-67,265
Change in trade payables, etc	81,725	71,384
	<b>-99,204</b>	<b>-131,604</b>

## 17 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	9,684	8,974
Of this, lease obligations to group companies amounts to	5,993	5,875	5,993	2,875

# Notes to the Financial Statements

## 17 Contingent assets, liabilities and other financial obligations (continued)

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 well 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 corporation taxes and withholding taxes may increase the Company's liability.

## 18 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
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.

## Notes to the Financial Statements

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
<b>19 Fee to auditors appointed at the general meeting</b>				
<b>PricewaterhouseCoopers</b>				
Audit fee	356	323	0	0
Other assurance engagements	0	0	0	0
Tax advisory services	675	0	0	0
Other services	213	74	0	0
	<b>1,244</b>	<b>397</b>	<b>0</b>	<b>0</b>
<b>Other</b>				
Audit fee	417	308	0	0
	<b>417</b>	<b>308</b>	<b>0</b>	<b>0</b>
	<b>1,661</b>	<b>705</b>	<b>0</b>	<b>0</b>

# Notes to the Financial Statements

## 20 Accounting Policies

The Annual Report of Dacapo Holding 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 Holding 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

## 20 Accounting Policies (continued)

### Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

### 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.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### 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.

### 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.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### **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.

### **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.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### 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.

#### Property, plant and equipment

On acquisition land and buildings are measured at cost comprising the acquisition price and costs of acquisition. The cost of own constructed land and buildings comprises the acquisition price and expenses directly related to the acquisition, including costs of acquisition and indirect expenses for labour, materials, components and suppliers up until the time when the asset is ready for use.

Interest expenses on loans are not recognised in cost during construction and reconstruction periods.

After the initial recognition land and buildings are measured at fair value.

Fair value is the amount for which land and buildings could be exchanged between knowledgeable, willing parties in an arm's length transaction on the balance sheet date. The determination of fair value involves material accounting estimates.

The fair value of certain land and buildings has been determined at 31 December 2022 for each building by using a return-based model under which the expected future cash flows for the coming year combined with a rate of return form the basis of the fair value of the property. The calculations are based on building budgets for the coming years. The budget takes into account developments in rentals, vacancies, operating expenses, maintenance and administration, etc. The budgeted cash flow is divided by the estimated rate of return to arrive at the fair value of land and buildings.

The estimates applied are based on information and assumptions considered reasonable by Management but which are inherently uncertain and unpredictable. Actual events or circumstances will probably differ from the assumptions made in the calculations as often assumed events do not occur as expected. Such difference may be material. The assumptions applied are disclosed in the notes.

Other 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

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

when the asset is ready for use.

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

Buildings	50 years
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.

### 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.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

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.

### **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 deferred 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.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### 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".

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

## Financial Highlights

### Explanation of financial ratios

Gross margin

$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

## Notes to the Financial Statements

### 20 Accounting Policies (continued)

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