
DAFA Holding II ApS

Holmstrupgårdvej 12, DK-8220 Brabrand

**Annual Report for
1 March 2022 - 31 December 2022**

CVR No. 43 09 39 59

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

Kaare Bo Nielsen
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 Financial Statements of DAFA Holding II ApS for the financial year 1 March - 31 December 2022.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations 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 Financial Statements be adopted at the Annual General Meeting.

Aarhus, 1 March 2023

Executive Board

Steen Agerbo Bødtker
CEO

Board of Directors

Eivind Drachmann Kolding
Chairman

Vilhelm Eigil Hahn-Petersen
Vice chairman

Frederik Oliver Busch

Independent Auditor's report

To the shareholder of DAFA Holding II ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 March - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of DAFA Holding II ApS for the financial year 1 March - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Company 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 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.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of 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 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 Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

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 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 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 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.

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

Henrik Kragh
State Authorised Public Accountant
mne26783

Elife Savas
State Authorised Public Accountant
mne34453

Company information

The Company	DAFA Holding II ApS Holmstrupgårdvej 12 DK-8220 Brabrand CVR No: 43 09 39 59 Financial period: 1 March - 31 December Municipality of reg. office: Aarhus
Board of Directors	Eivind Drachmann Kolding, chairman Vilhelm Eigil Hahn-Petersen, vice chairman Frederik Oliver Busch
Executive board	Steen Agerbo Bødtker
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 8000 Aarhus C

Management's review

Key activities

The company's key activity is as a holding company for DAFA Group A/S.

DAFA contributes sustainable, long-lasting foam and rubber solutions which seal, absorb and protect. The goal is that customers experience added value by collaborating with DAFA and that they choose DAFA as their preferred supplier.

DAFA sells its products to the industrial segment and building segment.

DAFA's business model is through a global footprint to follow our customers development and requirements by offering high service and quality in sustainable, long-lasting foam and rubber solutions which seal, absorb and protect. We want to grow together with our customers by focusing on close customer relations and development of innovative quality products and solutions.

DAFA delivers World-class solutions driven by our passion for Innovation and Sustainability.

The solutions are produced and distributed through divisions in Denmark, Poland, Italy and China. In addition, there are sales offices in the USA, Sweden, Norway, Germany and India.

Acquisition of the DAFA Group by Danish Private Equity Fund, CataCap II K/S ("CataCap") and co- investors

In May 2022, DAFA Group and all affiliated subsidiaries were indirectly acquired by CataCap and co-investors.

The Group is controlled by the Private Equity Fund CataCap which has 51.94% of the shares and 100% of the voting shares.

CataCap is a member of "Active Owners" and complies with ethical guidelines, guidelines for responsible ownership. DAFA strives to fulfil the guidelines issued by Active Owners. More information about Active Owners is found on <http://aktiveejere.dk>

Development in activities and financial position

The income statement of the Company for the period 1 March - 31 December 2022 shows a deficit of DKK 55 million, which covers a 8 months operating period and includes finance costs DKK 29 million primarily regarding acquisition of the DAFA Group A/S and special items DKK 28 million of a one off nature. Special items relate primarily to acquisition of DAFA Group A/S, and secondly expenses related to a full strategy update.

In order to strengthen the Group's financial long-term position, the shareholders of the Company has committed DKK 110,000 thousand as fully subordinated loan capital in 2023, whereof DKK 90,000 will be used as an extraordinary instalment on Senior Debt and DKK 20,000 will be used for further development of the Group. Please refer to note 2 for further details.

Outlook

In 2023 we expect to increase revenue in DAFA Group A/S through organic growth compared to 2022 with about 10%. Furthermore, we expect an improved result of the year. The growth ambitions for 2023 and forward is supported by an updated strategy, which we have worked intensively at in the second half year of 2022.

Events after the balance sheet date

In February 2023, The Company has negotiated new long term loan terms including updated covenants with its Senior Debt creditors contingent to the shareholders of DAFA Group Holding I ApS providing subordinated loan capital to Dafa Holding II ApS. Please refer to note 2.

Income statement 1 March - 31 December

	Note	2022 TDKK 10 months
Gross profit/loss		-13,275
Staff expenses	3	-13,932
Profit/loss before financial income and expenses		-27,207
Financial expenses	4,5	-29,438
Profit/loss before tax		-56,645
Tax on profit/loss for the year	6	1,491
Net profit/loss for the year		-55,154

Distribution of profit

	2022 TDKK
Proposed distribution of profit	
Retained earnings	-55,154
	-55,154

Balance sheet 31 December

Assets

	Note	2022 TDKK
Investments in subsidiaries	7	992,192
Fixed asset investments		992,192
Fixed assets		992,192
Receivables from group enterprises		426
Other receivables		176
Deferred tax asset		242
Corporation tax receivable from group enterprises		1,249
Prepayments		31
Receivables		2,124
Cash at bank and in hand		278
Current assets		2,402
Assets		994,594

Balance sheet 31 December

Liabilities and equity

	Note	2022
		TDKK
Share capital		3,755
Retained earnings		312,591
Equity		316,346
Payables to group enterprises		52,349
Long-term debt	8	52,349
Credit institutions		610,786
Payables to group enterprises		2,846
Other payables		12,267
Short-term debt		625,899
Debt		678,248
Liabilities and equity		994,594
Uncertainty relating to recognition and measurement	1	
Subsequent events	2	
Contingent assets, liabilities and other financial obligations	9	
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Statement of changes in equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 March	0	0	0
Cash payment concerning formation of entity	3,755	367,745	371,500
Net profit/loss for the year	0	-55,154	-55,154
Equity at 31 December	3,755	312,591	316,346

Notes to the Financial Statements

1. Uncertainty relating to recognition and measurement

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The judgments, estimates and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates and assumptions for the individual items are described below.

The company is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

Impairment test of investments in subsidiaries

The Company tests, if there are indicators of impairment, whether investments in subsidiaries has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units will be determined based on value-in-use calculations. These calculations require the use of estimates. Investments in subsidiaries amount to tDKK 992,192 and no impairment losses has been recognised in 2022.

2. Subsequent events

Additional subordinated loan capital and long-term financing:

The acquisition of DAFA Group A/S was funded through equity injections and loan capital with DAFA Holding II ApS as the Borrower, where the loans are classified as short term loans as per 31 December 2022. In order to secure the long-term financing the Group has negotiated new loan terms in 2023 with its Senior Debt creditors contingent to the shareholders of DAFA Holding I ApS will provide DKK 110,000 thousand as fully subordinated loan capital to DAFA Holding II ApS, whereof DKK 90,000 will be used as an extraordinary installment on Senior Debt and DKK 20,000 will be used for further growth of the Group. The Company has obtained commitment from the shareholders of its parent-company DAFA Holding II ApS to obtain the fully subordinated loan capital of DKK 110,000 thousand. On this background and the budget for 2023 it is Management's assessment that the Credit institutions exclusive of a revolving credit facility of max DKK 50 million will be continued and reclassified to long term debt in 2023 and the Company will be going concern.

No other subsequent events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

2022

TDKK

3. Staff Expenses

Wages and salaries	6,783
Pensions	7,149
	<u>13,932</u>
Average number of employees	<u>0</u>

2022

TDKK

4. Financial expenses

Interest paid to group enterprises	26,946
Other financial expenses	2,492
	<u>29,438</u>

2022

TDKK

5. Special items

Transaction costs in connection with changed ownership of DAFA Group A/S	27,513
	<u>27,513</u>

2022

TDKK

6. Income tax expense

Current tax for the year	-1,249
Deferred tax for the year	-242
	<u>-1,491</u>

Notes to the Financial Statements

2022

TDKK

7. Investments in subsidiaries

Additions for the year	992,192
Cost at 31 December	992,192
Carrying amount at 31 December	992,192

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
DAFA Group A/S	Aarhus	5.000.000	100%

8. 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:

2022

TDKK

Payables to group enterprises

After 5 years	0
Between 1 and 5 years	52,349
Long-term part	52,349
Within 1 year	0
Other short-term debt to group enterprises	2,846
Short-term part	2,846
	55,195

9. Contingent assets, liabilities and other financial obligations

Charges and security

As security for borrowings, as well as group companies' bank commitments, security in share capital, regarding DAFA Group A/S is effective. Furthermore an W&I Insurance policy is assigned as security for the group companies' borrowings and bank commitments.

Notes to the Financial Statements

Guarantee obligations

The company has issued a guarantee of payment between the Danish Group companies DAFA Holding I ApS, DAFA Holding II ApS, DAFA Group A/S, DAFA Building Solutions A/S and DAFA A/S and the Groups credit institutions

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Dafa Group. The total amount of corporation tax payable by the Group is disclosed in the Annual Report. CC DAFA Invest ApS is the management company of the joint taxation. Moreover, the group 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 Group's liability.

Notes to the Financial Statements

10. Accounting policies

The Annual Report of DAFA Holding II ApS for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Financial Statements for 2022 are presented in TDKK.

Income statement

Net sales

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

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

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with CC DAFA Invest ApS. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

Balance sheet

Impairment of fixed assets

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

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

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.

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

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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