DAFA Holding II ApS

Holmstrupgårdvej 12, DK-8220 Brabrand

Annual Report for 2023

CVR No. 43 09 39 59

The Annual Report was presented and adopted at the Annual General Meeting of the company on 28/6 2024

Kaare Bo Nielsen
Chairman of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of DAFA Holding II ApS for the financial year 1 January - 31 December 2023.

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 2023 of the Company and of the results of the Company operations for 2023.

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.

Aarhus, 28 June 2024

Executive Board

Steen Agerbo Bødtker
CEO

Board of Directors

Eivind Drachmann Kolding Chairman	Vilhelm Eigil Hahn-Petersen Vice chairman	Frederik Oliver Busch
Anne Sofie Irgens Jacobsen	Kim Harding Wellendorph Lehmann	

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 2023 and of the results of the Company´s operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of DAFA Holding II ApS for the financial year 1 January - 31 December 2023, 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.

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, 28 June 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Kragh State Authorised Public Accountant mne26783	Linda Højland State Authorised Public Accountant mne45871

Company information

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

Management's review

Key activities

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

Development in the year and financial position

In the Wind Turbine segment market activity did not pick up during 2023, as expected by market analysts at the beginning of the year. Key Wind customers of DAFA experienced a decline in production output relative to 2022, both in terms of turbines and MW delivered. In Industrial Solutions the key sub segments serviced by DAFA's generally experienced a decline in production output compared with 2022. Demand for DAFA's Building Solutions products which are used in both new build and renovation held up fairly well during 2023.

Raw material and other input prices were stabilized during the year and even though there was pressure on the gross margin, 2023 gross margin percentage came out higher than the year before. At the end of 2023 DAFA is well positioned with a strong gross margin in line with historic performance.

In order to strengthen the Group's financial long-term position, the shareholders of the Company has committed DKK 60,000 thousand as capital contribution in 2024, whereof DKK 40,000 thousand will be used as an extraordinary instalment on Senior Debt and DKK 20,000 thousand will be used for further development of the Group and strengthen the cash position of the Group. Please refer to note 1 for further details.

Outlook

In 2024 DAFA expect to increase revenue through organic growth compared to 2023 with about 10%-12%. Furthermore, we expect an improved result of the year with about 25-30%. The growth ambitions for 2024 and forward is supported by an updated strategy in both the Industrial and Building segments, combined with the newly strengthening of the management team to execute the strategy. To reach our aspiration, we will continue to focus on Must-Win Battles on our growth initiatives.

The organic growth initiatives are:
•Winning in wind globally
•Growing European revenues within the four segments, Medico, HVAC, Appliances and Electronic
•Growing Building Solutions

In line with the growth strategic initiatives the commercial excellence model is fully implemented, and the sales management organisation is also completed with the new CCO, new Head of Sales Northern Europe and New sales manager in China. Furthermore, establishment of a legal entity in India is in process to support the sales region in Asia and a revised set-up for the US market is in process.

Events after the balance sheet date

In June 2024, 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 capital contribution to Dafa Holding II ApS. Please refer to note 1.

Management's review

Development in the year

Due to challenging market conditions across the company's three core segments 2023 did not develop as expected in terms of revenue and earnings.

In the Wind Turbine segment market activity did not pick up during 2023, as expected by market analysts at the beginning of the year. Key Wind customers of DAFA experienced a decline in production output relative to 2022, both in terms of turbines and MW delivered. In Industrial Solutions the key sub segments serviced by DAFA's generally experienced a decline in production output compared with 2022. Demand for DAFA's Building Solutions products which are used in both new build and renovation held up fairly well during 2023.

Raw material and other input prices were stabilized during the year and even though there was pressure on the gross margin, 2023 gross margin percentage came out higher than the year before. At the end of 2023 DAFA is well positioned with a strong gross margin in line with historic performance.

The result for the year includes special items related to both new strategy implementation, organizational changes and legal costs related to the transaction in 2022, where private equity fund CataCap (together with co-investors) acquired the Group, and as such does not reflect operating earnings in the company.

Income statement 1 January - 31 December

	Note	2023	2022
		TDKK 12 months	TDKK 10 months
Gross loss		**-184**	**-13,275**
Staff expenses	2	-6,510	-13,932
Profit/loss before financial income and expenses		**-6,694**	**-27,207**
Income from investments in subsidiaries		-60,845	-59,324
Financial income	3	414	0
Financial expenses	4,5	-62,324	-29,438
Profit/loss before tax		**-129,449**	**-115,969**
Tax on profit/loss for the year	6	5,965	1,491
Net profit/loss for the year		**-123,484**	**-114,478**

Distribution of profit

	2023	2022
	TDKK	TDKK
Proposed distribution of profit		
Retained earnings	-123,484	-114,478
	-123,484	**-114,478**

Balance sheet 31 December

Assets

	Note	2023	2022
		TDKK	TDKK
Investments in subsidiaries	7	786,902	932,868
Fixed asset investments		**786,902**	**932,868**
Fixed assets		**786,902**	**932,868**
Receivables from group enterprises		535	426
Other receivables		0	176
Deferred tax asset		0	242
Corporation tax		5,965	0
Corporation tax receivable from group enterprises		0	1,249
Prepayments		51	31
Receivables		**6,551**	**2,124**
Cash at bank and in hand		**1,813**	**278**
Current assets		**8,364**	**2,402**
Assets		**795,266**	**935,270**

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TDKK	TDKK
Share capital		3,755	3,755
Reserve for exchange rate conversion		3,879	0
Retained earnings		128,290	253,267
Equity		**135,924**	**257,022**
Payables to group enterprises		50,000	52,349
Long-term debt	8	**50,000**	**52,349**
Credit institutions		531,673	610,786
Trade payables		1,180	0
Payables to group enterprises	8	66,000	2,846
Other payables		10,489	12,267
Short-term debt		**609,342**	**625,899**
Debt		**659,342**	**678,248**
Liabilities and equity		**795,266**	**935,270**

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Statement of changes in equity

	Share capital	Reserve for exchange rate conversion	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	3,755	0	312,591	316,346
Net effect from change of accounting policy	0	0	-59,324	-59,324
Adjusted equity at 1 January	3,755	0	253,267	257,022
Exchange adjustments relating to foreign entities	0	3,879	0	3,879
Other equity movements	0	0	-1,493	-1,493
Net profit/loss for the year	0	0	-123,484	-123,484
Equity at 31 December	**3,755**	**3,879**	**128,290**	**135,924**

Notes to the Financial Statements

1. Subsequent events

In order to secure the long-term financing the Group has negotiated new loan terms in 2024 with its Senior Debt creditors contingent to the shareholders of DAFA Holding I ApS will provide a capital injection to the group. The company has obtained commitment from the shareholders of its parent-company DAFA Holding II ApS to obtain this capital injection. On this background and the budget/forecast for 2024 and 2025 it is Management's assessment that sufficient funding will be continued and the Company will be going concern.

2. Staff Expenses

	2023 TDKK 12 months	2022 TDKK 10 months
Wages and salaries	6,101	6,783
Pensions	400	7,149
Other social security expenses	6	0
Other staff expenses	3	0
	6,510	**13,932**
Average number of employees	**2**	**0**

3. Financial income

	2023 TDKK 12 months	2022 TDKK 10 months
Interest received from group enterprises	414	0
	414	**0**

4. Financial expenses

	2023 TDKK 12 months	2022 TDKK 10 months
Interest paid to group enterprises	5,861	26,946
Other financial expenses	56,463	2,492
	62,324	**29,438**

5. Special items

	2023 TDKK	2022 TDKK
Transaction costs in connection with changed ownership of DAFA Group A/S	4,255	27,513
	4,255	**27,513**

6. Income tax expense

	2023 TDKK 12 months	2022 TDKK 10 months
Current tax for the year	-3,097	-1,249
Deferred tax for the year	0	-242
Adjustment of tax concerning previous years	-2,868	0
	-5,965	**-1,491**

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK

7. Investments in subsidiaries

	2023 TDKK	2022 TDKK
Cost at 1 January	992,192	0
Additions for the year	0	992,192
Cost at 31 December	992,192	992,192
Value adjustments at 1 January	-59,324	0
Exchange adjustment	3,879	0
Net profit/loss for the year	16,137	-8,003
Dividend to the Parent Company	-89,000	0
Amortisation of goodwill	-76,982	-51,321
Value adjustments at 31 December	-205,290	-59,324
Carrying amount at 31 December	**786,902**	**932,868**
Positive differences arising on initial measurement of subsidiaries at net asset value	0	769,816

Investments in subsidiaries are specified as follows:

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

Notes to the Financial Statements

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:

	2023	2022
	TDKK	TDKK
Payables to group enterprises		
After 5 years	0	0
Between 1 and 5 years	50,000	52,349
Long-term part	50,000	52,349
Other short-term debt to group enterprises	66,000	2,846
	116,000	**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.

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 2023 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 2023 are presented in TDKK.

Changes in accounting policies

The company has changed accounting policies for measuring equity investments from cost to equity value. The change has resulted in an decrease of the result for 2022 with -59,324k . It has also affected the company's fixed assets with -59,324k DKK. Equity is affected by DKK -59,324k . The company's cash flow is not affected by the change.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023 of DAFA Holding I ApS, the Company has not prepared consolidated financial statements.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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.

Income statement

Revenue

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.

Notes to the Financial Statements

Gross 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.

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 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).

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 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 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.

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.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

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 liabilities

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.