

Damstahl a/s

Danmarksvej 28, 8660 Skanderborg

CVR no. 23 25 61 18

Annual report 2020

Approved at the Company's annual general meeting on 20 May 2021

Chairman:

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Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Damstahl a/s for the financial year 1 January - 31 December 2020.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that 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 2020 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 1 January - 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Skanderborg, 20 May 2021
Executive Board

.....
Michael Lund Rauff Finnerup

.....
Claus Bang Christiansen

Board of Directors:

.....
Wolf Ehrenberg
Chairman

.....
Harry Ehrenberg
Vice chairman

.....
Mrs Ilona Senderowicz

Independent auditors' report

To the shareholders of Damstahl a/s

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Damstahl a/s for the financial year 1 January -31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for both the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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 2020 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January -31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the consolidated financial statements and the parent company 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 Parent 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 Parent 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 as to 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 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 the financial statements.

Independent auditors' report

As part of an audit conducted in accordance with ISAs and 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 Group's and the Parent 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 Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditors' report

Based on the work we have performed, we conclude that the 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 of the Management's review.

Aarhus, 20 May 2021
EY Godkendt Revisionspartnerselskab
CVR-NR. 30 70 02 28

Tom B. Lassen
State Authorised Public Accountant
mne24820

Management's review

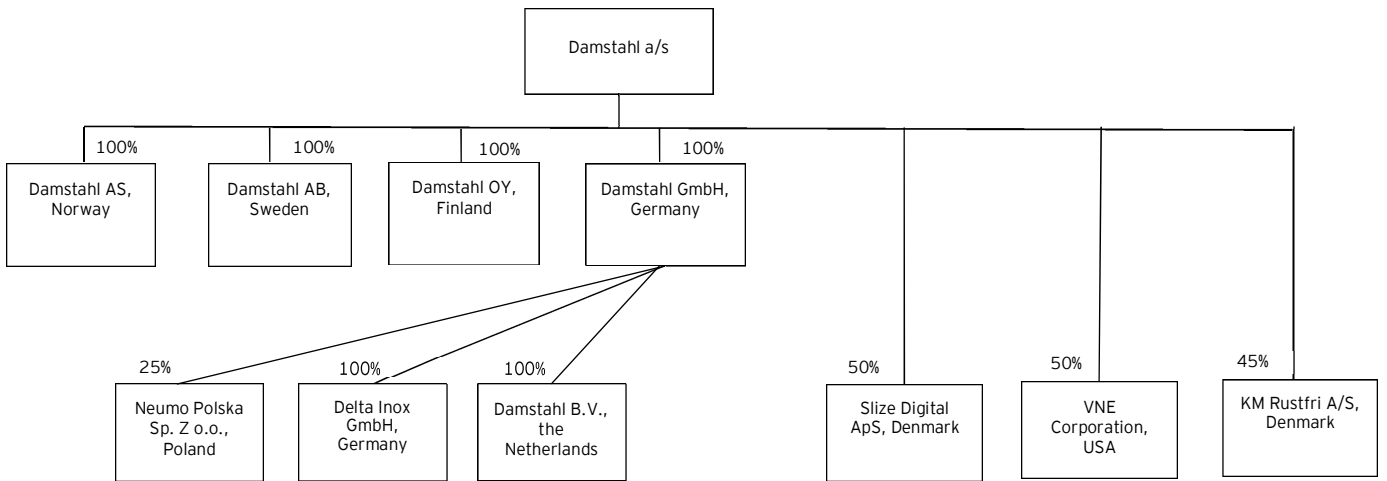
Company details

Name	Damstahl a/s
Address, zip code, city	Danmarksvej 28, DK-8660 Skanderborg
CVR No.	23 25 61 18
Established	8 December 1969
Registered office	Skanderborg
Financial year	1 January - 31 December
Website	www.damstahl.com
E-mail	damstahl@damstahl.com
Telephone	+45 87 94 40 00
Board of Directors	Wolf Ehrenberg, CEO and Chairman Harry Ehrenberg, CEO and Vice Chairman Mrs Ilona Senderowicz
Executive Board	Michael Lund Rauff Finnerup, CEO Claus Bang Christiansen, CFO
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25, DK-8000 Aarhus C



Management's review

Group chart



Management's review

Financial highlights

EURm	2020	2019	2018	2017	2016
Key figures					
Revenue	252,4	275,9	259,9	252,8	209,9
Operating profit/loss	0,9	2,9	6,8	7,5	3,3
Profit/loss from financial income and expenses and other operating income	2,2	2,1	2,6	2,5	2,2
Profit/loss for the year	2,5	3,7	7,1	7,5	4,3
Non-current assets	44,0	36,6	31,8	28,1	29,5
Current assets	122,7	125,9	113,8	98,3	90,5
Total assets	166,7	162,6	145,6	126,5	120,0
Share capital	13,4	13,4	13,4	13,4	13,5
Equity	93,1	91,7	89,7	84,9	80,2
Provisions	1,9	2,0	1,9	2,1	2,0
Non-current liabilities other than provisions	5,2	2,5	2,3	2,3	2,3
Current liabilities other than provisions	66,5	66,3	51,7	37,2	35,5
Cash flows from operating activities	10,9	-11,0	-12,0	-1,7	7,3
Cash flows from investing activities	-8,8	-5,6	-4,2	-1,3	-1,0
Cash flows from financing activities	2,8	-1,3	-1,5	-0,7	-0,3
Total cash flows	4,9	-17,8	-17,7	-3,7	6,0

Financial highlights

%	2020	2019	2018	2017	2016
Financial ratios					
Operating margin	0,4	1,0	2,6	3,0	1,6
Return on invested capital	0,6	1,9	5,1	6,7	3,3
Gross margin	16,7	17,0	18,1	18,4	18,9
Current ratio	184,5	189,9	220,1	264,4	255,3
Solvency ratio	55,8	56,4	61,6	67,2	66,8
Return on equity	2,7	4,1	8,1	9,1	5,5
Average number of full-time employees	305	313	280	293	282

For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities of the Company

The Company trades in stainless steel and related products.

Financial review

Profit/loss for the year

2020 started with a significant price decrease for the commodities nickel, chromium and molybdenum, which are essential for the underlying price development of Stainless steel. The prices continued to drop during the second quarter as a consequence of the world wide spread of Covid 19. Beyond that the general demand for stainless steel on the European market was also influenced by the Covid 19 during 2020, especially in Q2 where the apparent consumption dropped 20% yoy. The market was in total estimated to be down with approx. 12-15 %.

Despite the above start of the year then market conditions started to improve after the summer, although slowly, and continued to do so for rest of the year.

Through the year, the Group implemented a completely new ERP-system, Microsoft Dynamics 365FO. This new ERP-system replaces a 30 year old system and serves as basis for the already started digital development which is a vital part of the strategy in the Damstahl Group.

Considering the various and difficult market conditions, the group gained market shares in all segments and markets during the year and the Group ended with a gross margin at an acceptable level.

Income statement

Consolidated revenue decreased from EUR 275.948 thousand in 2019 to EUR 252.387 thousand in 2020.

Despite the development in market prices and the general market conditions then the margin ended at EUR 42.642 thousand, which is a reduction compared to last year

The Group's operating costs and staff costs decreased from EUR 42.433 thousand to EUR 40.303 thousand, which among others is connected to the decrease in sold tonnage as a consequence of the pandemic. Also this year the operating costs include significant costs for several development and future-oriented projects, including the Group's ERP and E-commerce projects.

In 2020, the Group realised a profit after tax of EUR 2.475 thousand, which is not as budgeted, however taking the extraordinary costs and the market situation into consideration, we consider the result acceptable

Balance sheet

The consolidated balance sheet totalled EUR 166.736 thousand against EUR 162.549 thousand in 2019. The increase relates to implementation of Damstahl Group's new ERP system and investment in Land and Buildings in both Denmark and Germany, all supporting the planned aggressive growth strategy of the Damstahl Group.

Self-financing continues to be high and equity arrived at EUR 93.179 thousand, corresponding to a solvency ratio of 56%.

Corporate social responsibility

The Group's corporate social responsibility report is accessible at the Company's webpage <https://www.damstahl.dk/om-damstahl/csr/>.

Reporting on goals and policies regarding gender quotation on the Management Board

The Group's reporting on the gender quotation on the Board of Directors and policies for the gender quotation at other managerial levels are accessible at the Company's webpage <https://www.damstahl.dk/om-damstahl/csr/>.

Management's review

Operating review

Particular risks

General risks

Damstahl a/s is not subject to any risks other than normal business risks relating to the Company's business area.

For 2021 among others the possible future consequences of the pandemic and the ongoing escalation of trade conflicts between United States, Europe and China will be some of the general risk that the Group will navigate in.

Financial risks

The Group uses effective credit control and credit insurance to minimize the credit risks on its trade receivables. The implementation of credit insurance end 2019 really supported the growth strategy during 2020 increasing the business with existing and new customers.

The interest rate risk relating to interest-bearing current and non-current liabilities is assessed and controlled by Management on a regular basis. The raising of credits is normally made using a variable interest rate, whereas loans regarding the financing of non-current assets to some extent are made using a fixed rate.

Risks in foreign currencies are monitored and controlled by Management in order to minimise foreign exchange risks. Transactions with subsidiaries are not hedged, nor are investments in foreign subsidiaries.

Outlook

The commodity prices have sharply increased in the beginning of 2021. The concern in the market for availability of goods, due to among other the recovery of the Corona-Virus, creates certain challenges for our suppliers and causes further increase of prices. Generally speaking, there is a larger demand than supply currently on the market for stainless steel.

In spring 2021 the group will be implementing the new ERP-system in the Central European countries, thereby the new ERP will be fully implemented. This new foundation for further development will support our strategy going forward to meet our important objectives of growth and efficiency.

further the Group will continue developing the Group's digital sales and especially the new E-commerce platform. The Damstahl Group is co-owner in the IT-company Slize Digital in Ukraine, a company which main focus is digital business development. Based on the co-work with Slize Digital, Damstahl will during 2021 launch the futures most customer oriented digital platform.

The first months of 2021 exceeded the budget, and throughout the year, the Group will continue its active growth strategy in cooperation with its customers and suppliers.

The results of operations for 2021 are expected to amount to EUR 5-6 million before tax.

Events after the balance sheet date

No events have occurred after the balance sheet date which materially affect the Company's financial position.

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Income statement

Note	EUR'000	Consolidated		Parent company	
		2020	2019	2020	2019
2	Revenue	252.387	275.948	98.511	111.419
	Cost of sales	-210.190	-229.085	-86.608	-97.937
	Other operating income	163	0	0	0
	Gross profit	42.360	46.863	11.903	13.482
3	External operating costs	-18.573	-20.750	-4.732	-5.698
4	Staff costs	-21.730	-21.683	-6.672	-7.063
	Profit before depreciation/amortisation (EBITDA)	2.057	4.430	499	721
	Depreciation	-940	-1.576	-515	-626
	Operating profit/loss (EBIT)	1.117	2.854	-16	95
	Profit/loss from ordinary activities after tax in subsidiaries	0	0	1.292	2.280
	Profit from ordinary activities after tax in associates	1.191	1.173	754	779
5	Financial income	2.136	2.261	971	1.139
	Financial expenses	-1.358	-1.300	-349	-311
	Profit/loss from ordinary activities before tax (EBT)	3.086	4.988	2.652	3.982
6	Tax on profit/loss from ordinary activities	-611	-1.285	-177	-279
	Profit/loss for the year	2.475	3.703	2.475	3.703

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Balance sheet

Note	EUR'000	Consolidated		Parent company	
		2020	2019	2020	2019
		ASSETS			
		Non-current assets			
7	Intangible assets				
	IT software	97	170	77	135
	Goodwill	341	506	0	0
	Current projects	6.358	3.971	6.358	3.971
		<u>6.796</u>	<u>4.647</u>	<u>6.435</u>	<u>4.106</u>
8	Property, plant and equipment				
	Land and buildings	21.630	15.900	5.983	4.598
	Fixtures and fittings, tools and equipment	2.954	2.993	742	921
	Current projects	164	36	0	0
		<u>24.748</u>	<u>18.929</u>	<u>6.725</u>	<u>5.519</u>
	Investments				
9	Investments in subsidiaries	0	0	58.212	56.382
10	Investments in associates	12.514	13.026	9.541	10.300
		<u>12.514</u>	<u>13.026</u>	<u>67.753</u>	<u>66.682</u>
	Total non-current assets	<u>44.058</u>	<u>36.602</u>	<u>80.913</u>	<u>76.307</u>
	Current assets				
	Inventories				
	Goods for resale	78.138	85.863	24.782	31.608
	Prepayments for goods	1.181	0	89	0
		<u></u>	<u></u>	<u></u>	<u></u>
	Receivables				
	Trade receivables	31.873	34.614	13.446	16.201
	Amounts owed by subsidiaries	0	0	1.896	1.815
	Amounts owed by associates	463	0	463	0
	Amounts owed by group entities	437	337	0	22
	Corporation tax refund	243	1.037	182	304
11	Deferred tax asset	545	375	0	0
	Other receivables	1.357	1.427	468	402
12	Prepayments	536	767	353	456
		<u>35.454</u>	<u>38.557</u>	<u>16.808</u>	<u>19.200</u>
	Securities				
	Cash at bank and in hand	<u>7.904</u>	<u>1.527</u>	<u>1.529</u>	<u>179</u>
	Total current assets	<u>122.678</u>	<u>125.947</u>	<u>43.208</u>	<u>50.988</u>
	TOTAL ASSETS	<u><u>166.736</u></u>	<u><u>162.549</u></u>	<u><u>124.121</u></u>	<u><u>127.295</u></u>

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Balance sheet

Note	EUR'000	Consolidated		Parent company	
		2020	2019	2020	2019
		EQUITY AND LIABILITIES			
13	Equity				
	Share capital	13.442	13.387	13.442	13.387
	Reserve for net revaluation according to the equity method	0	0	44.674	43.860
	Reserve for development costs	4.922	3.060	4.922	3.060
	Retained earnings	73.065	74.562	28.391	30.702
	Proposed dividends	1.750	669	1.750	669
	Total equity	93.179	91.678	93.179	91.678
	Provisions				
11	Deferred tax	1.231	1.390	441	474
	Other provisions	625	631	0	0
	Total provisions	1.856	2.021	441	474
	Liabilities other than provisions				
14	Non-current liabilities other than provisions				
	Mortgage debt	4.547	2.263	4.547	2.263
	Other non-current liabilities	671	259	671	259
		5.218	2.522	5.218	2.522
	Current liabilities other than provisions				
14	Current portion of non-current liabilities other than provisions	224	6	224	6
	Bank loans	50.042	48.525	18.497	25.377
	Trade payables	8.740	11.286	4.011	4.510
	Amounts owed to subsidiaries	0	0	64	75
	Amounts owed to associates	54	0	54	0
	Amounts owed to group entities	1	47	0	47
	Joint taxation contribution payable	175	181	175	181
	Corporation tax	392	154	0	0
	Other payables	6.855	6.129	2.258	2.425
		66.483	66.328	25.283	32.621
	Total liabilities other than provisions	71.701	68.850	30.501	35.143
	TOTAL EQUITY AND LIABILITIES	166.736	162.549	124.121	127.295
15	Contingent liabilities and collateral				
16	Related party disclosures				
17	Proposed profit appropriation				



Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Statement of changes in equity

		Consolidated				
EUR'000		Share capital	Retained earnings	Reserve for development costs	Dividend proposed for the year	Change/Total equity
	Equity at 1 January 2020	13.387	74.562	3.060	669	91.678
	Foreign exchange adjustments	55	296	16	3	370
	Dividend distribution	0	0	0	-672	-672
	Transfer, see "Appropriation of profit/loss"	0	-1.121	1.846	1.750	2.475
	Foreign exchange adjustments, foreign subsidiaries	0	-672	0	0	-672
	Equity at 31 December 2020	13.442	73.065	4.922	1.750	93.179

		Parent company					
EUR'000		Share capital	Net revaluation acc. to the equity method	Reserve for development costs	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 January 2020	13.387	43.860	3.060	30.702	669	91.678
	Foreign exchange adjustments	55	182	16	114	3	370
	Dividend distribution	0	0	0	0	-672	-672
17	Transfer, see "Appropriation of profit/loss"	0	1.304	1.846	-2.425	1.750	2.475
	Foreign exchange adjustments, foreign subsidiaries	0	-672	0	0	0	-672
	Equity at 31 December 2020	13.442	44.674	4.922	28.391	1.750	93.179

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Consolidated cash flow statement

EUR'000	2020	2019
Operating profit/loss	1.117	2.853
Adjustment for non-cash operating items:		
Depreciation/amortisation, etc.	940	1.576
Other adjustments	333	-104
	2.390	4.325
Changes in working capital:		
Changes in inventories, trade receivables, etc.	9.022	-13.284
Changes in trade payables, incl. group entities and other liabilities from operations	-1.399	-1.031
Cash flows from operating activities	10.013	-9.990
Financing income	2.136	2.261
Financing expenses	-1.358	-1.300
Corporation tax paid, net	69	-1.921
Cash flows from operating activities	10.860	-10.950
Investments, etc.		
Acquisition of current and non-current assets	-13.010	-5.562
Disposal of non-current assets	4.236	13
Cash flows from investing activities	-8.774	-5.549
Financing		
Dividends paid	-672	-1.807
Dividends distributed from associates	944	477
Non-current liabilities	2.502	-8
Cash flows from financing activities	2.774	-1.338
Cash flows for the year	4.860	-17.837
can be specified as follows:		
Cash and cash equivalents and short-term bank loans at 1 January	-46.998	-29.161
Cash flows for the year	4.860	-17.837
Cash and cash equivalents and short-term bank loans at 31 December	-42.138	-46.998

The cash flow statement cannot be derived directly from the balance sheet and income statement.

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Damstahl a/s for 2020 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed new and amended presentation and disclosure requirements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Damstahl a/s, and subsidiaries in which Damstahl a/s directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' value of net assets or liabilities.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on the translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in receivables or payables and in equity. Income

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

and expenses related to such hedges are transferred from equity by realisation of the hedged item and recognised in the same financial statement item as the hedged item. Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Income statement

Revenue

Revenue from the sale of goods for resale is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex VAT, taxes and discounts in relation to the sale.

External operating costs

External operating costs comprise costs of distribution, sale and advertising, administration, costs of premises and operating leases, etc.

Other operating income and costs

Other operating income and costs comprise items secondary in relation to the primary activities of the enterprise.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss from ordinary activities

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company acts as administration company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporation tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised on a straight-line basis over a amortisation period of 10 years.

The carrying amount of goodwill is assessed regularly and amortised to the recoverable amount in the income statement if the impairment loss is not considered temporary.

IT software

Capitalised IT software is measured at costs less accumulated amortisation and impairment losses.

Assets are amortised over 3-5 years.

Intangible assets are written down to the recoverable amount if this is lower than the carrying amount and due to reasons not considered temporary.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation. Land is not depreciated.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	10-50 years
Establishment of storage space	20 years
Technical installations	10 years
Fixtures and fittings, tools and equipment	3-10 years

The depreciation period and the residual value are determined at the acquisition date and are reassessed on a yearly basis. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

Fixtures and fittings, tools and equipment with a cost of less than EUR 3 thousand in the parent company are expensed in the year of acquisition.

Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount and due to reasons not considered temporary.

Gain and losses on the disposal of property, plant and equipment are recognised in the income statement as depreciation.

Investments in subsidiaries and associates

Income statement

The proportionate share of the individual subsidiaries' profits/losses is recognised in the income statement after full elimination of internal profit/loss and less amortised goodwill.

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The proportionate share of the individual associates' profits/losses is recognised in the income statement after proportionate elimination of internal profit/loss.

Balance sheet

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the parent company's accounting policies minus or plus unrealised intra-group profits and losses and plus goodwill determined in accordance with the purchase method.

Investments in subsidiaries and associates with negative net asset values are measured at EUR 0 (nil), and any amounts owed by such entities are written down in so far as the amount receivable is considered irrecoverable. If the Parent Company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation in equity according to the equity method to the extent that the carrying amount exceeds cost.

Inventories

Inventories are measured at average cost. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at cost. Write-down is made for bad debt losses.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Translation reserve

The translation reserve comprises the share of foreign exchange differences arising on translation of financial statements of entities that have a functional currency other than DKK, foreign exchange adjustments of assets and liabilities considered part of the Company's net investments in such entities and foreign exchange adjustments regarding hedging transactions that hedge the Company's net investments in such entities. The reserve is dissolved on the sale of foreign entities or if the conditions for effective hedging no longer exist. When equity investments in subsidiaries and associates in the parent company financial statements are subject to the limitation requirement in the net revaluation reserve according to the equity method, foreign exchange adjustments will be included in this equity reserve instead.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Joint taxation contributions payable and receivable are recognised in the balance sheet as corporation tax receivable or corporation tax payable.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the Group.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Other provisions

Provisions comprise pension liabilities to employees in foreign subsidiaries. The liability is measured based on actuarial calculations. Adjustments in the provision for the year are recognised in the income statement as staff costs.

Liabilities other than provisions

Other liabilities comprising bank loans, trade payables and other payables are measured at nominal value.

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company'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 profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash less short-term bank loans.

Segment information

Information is provided on geographical markets only, as the Group has only one business segment.

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin	$\frac{\text{Ordinary operating profit} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Ordinary operating profit} \times 100}{\text{Average invested capital}}$
Invested capital incl. goodwill	Net-working capital, property, plant and equipment and intangible assets less other provisions and other non-current operating liabilities.
Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

2 Segment information

The Group's revenue is broken down by geographical segments as follows:

EUR'000	2020	2019
Denmark	67.193	74.081
Rest of the World	185.194	201.867
	<u>252.387</u>	<u>275.948</u>

3 External operating costs

Fees to the parent company auditors appointed at the annual general meeting are included in the item:

EUR'000	Consolidated		Parent company	
	2020	2019	2020	2019
Audit services	45	44	45	44
Tax services	12	3	12	3
Non-audit services	77	118	77	118
	<u>134</u>	<u>165</u>	<u>134</u>	<u>165</u>

4 Staff costs

EUR'000	Consolidated		Parent company	
	2020	2019	2020	2019
Wages and salaries	17.663	17.262	5.840	6.149
Pensions	1.083	1.095	566	578
Other social security costs	2.296	2.159	63	74
Staff costs	688	1.167	203	262
	<u>21.730</u>	<u>21.683</u>	<u>6.672</u>	<u>7.063</u>
Average number of employees	<u>305</u>	<u>313</u>	<u>94</u>	<u>90</u>

Remuneration to members of Management:

Executive Board	<u>646</u>	<u>827</u>	<u>646</u>	<u>827</u>
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Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

EUR'000	Consolidated		Parent company	
	2020	2019	2020	2019
5 Financial income				
Interest income, etc. from subsidiaries	0	0	53	42
Other financial income	2.136	2.261	919	1.097
	<u>2.136</u>	<u>2.261</u>	<u>972</u>	<u>1.139</u>

EUR'000	Consolidated		Parent company	
	2020	2019	2020	2019
6 Tax on profit/loss from ordinary activities				
Current tax	767	780	0	57
Joint taxation	175	181	175	181
Adjustment of deferred tax	-355	119	-33	26
Adjustments regarding previous years	-11	189	0	-1
Non-refundable dividend tax	35	16	35	16
	<u>611</u>	<u>1.285</u>	<u>177</u>	<u>279</u>

7 Intangible assets

EUR'000	Consolidated			
	IT software	Goodwill	Development projects in progress	Total
Cost at 1 January 2020	856	1.413	3.971	6.240
Foreign exchange rate adjustments	13	-94	16	-65
Additions	0	0	2.411	2.411
Disposals	-251	0	-40	-291
Cost at 31 December 2020	<u>618</u>	<u>1.319</u>	<u>6.358</u>	<u>8.295</u>
Amortisation and impairment losses at 1 January 2020	686	907		1593
Foreign exchange rate adjustments	11	-59		-48
Amortisation	75	130		205
Disposals	-251	0		-251
Amortisation and impairment losses at 31 December 2020	<u>521</u>	<u>978</u>		<u>1499</u>
Carrying amount at 31 December 2020	<u>97</u>	<u>341</u>	<u>6.358</u>	<u>6.796</u>
Amortised over	<u>3-5 /years</u>	<u>10 years</u>		

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

7 Intangible assets (continued)

EUR'000	Parent company		
	IT software	Development projects in progress	Total
Cost at 1 January 2020	408	3.971	4.379
Foreign exchange rate adjustments	2	16	18
Additions	0	2.411	2.411
Disposals	0	-40	-40
Cost at 31 December 2020	410	6.358	6.768
Amortisation and impairment losses at 1 January 2020	273		273
Foreign exchange rate adjustments	2		2
Amortisation	58		58
Disposals	0		0
Amortisation and impairment losses at 31 December 2020	333		333
Carrying amount at 31 December 2020	77	6.358	6.435
Amortised over	3 years		

8 Property, plant and equipment

EUR'000	Consolidated			
	Land and buildings	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2020	28.414	10.080	36	38.530
Foreign exchange rate adjustments	162	15	0	177
Additions	9.845	666	128	10.639
Disposals	-3.562	-259	0	-3.821
Cost at 31 December 2020	34.859	10.502	164	45.525
Depreciation and impairment losses at 1 January 2020	12.514	7.087		19.601
Foreign exchange rate adjustments	19	-6		13
Depreciation	696	576		1.272
Disposals	0	-109		-109
Depreciation and impairment losses at 31 December 2020	13.229	7.548		20.777
Carrying amount at 31 December 2020	21.630	2.954	164	24.748
Depreciated over	10-50 år/ years	3-10 år/ years		

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

8 Property, plant and equipment (continued)

EUR'000	Parent company			Total
	Land and buildings	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	
Cost at 1 January 2020	11.183	4.683	0	15.866
Foreign exchange rate adjustments	15	10		25
Additions	1.614	88	0	1.702
Disposals	0	-151	0	-151
Cost at 31 December 2020	12.812	4.630	0	17.442
Depreciation and impairment losses at 1 January 2020	6.585	3.762		10.347
Foreign exchange rate adjustments	-3	6		3
Depreciation	247	210		457
Disposals	0	-90		-90
Depreciation and impairment losses at 31 December 2020	6.829	3.888		10.717
Carrying amount at 31 December 2020	5.983	742	0	6.725
Depreciated over	10-50 years	3-20 years		

EUR'000	Parent company	
	2020	2019
9 Investments in subsidiaries		
Carrying amount at 1 January	56.382	54.225
Foreign exchange adjustment	378	-123
Profit/loss for the year	1.292	2.280
Other adjustments	160	0
Carrying amount at 31 December	58.212	56.382

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

10 Investments in associates

EUR'000	Consolidated		Parent company	
	2020	2019	2020	2019
Carrying amount at 1 January	13.026	9.876	10.300	7.395
Distributed dividends	-944	-493	-743	-317
Profit/loss for the year	1.191	1.172	754	779
Other adjustments	-759	2.471	-770	2.443
Carrying amount at 31 December	12.514	13.026	9.541	10.300

Goodwill is amortised on a straight-line basis over a amortisation period of 15 years.

11 Deferred tax

EUR'000	Consolidated		Parent company	
	2020	2019	2020	2019
Carrying amount at 1 January	1.015	907	474	448
Foreign exchange adjustment	26	-11	0	0
Adjustment of deferred tax	-355	119	-33	26
Carrying amount at 31 December	686	1.015	441	474
Deferred tax asset	-545	-375	0	0
Deferred tax	1.231	1.390	441	474
	686	1.015	441	474

12 Prepayments

Prepayments consist of prepaid costs.

13 Share capital

The share capital consists of 1 share of DKK 100 million (EUR 13,4 million).

The share capital has not been subject to changes for the past five years.

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

14 Amounts owed to mortgage credit institutions and banks

Liabilities are broken down as follows:

EUR'000	Consolidated		Parent company	
	2020	2019	2020	2019
Mortgage credit institutions				
Non-current	4.547	2.257	4.547	2.257
Current	224	6	224	6
	<u>4.771</u>	<u>2.263</u>	<u>4.771</u>	<u>2.263</u>
Other non-current liabilities				
Non-current	671	259	671	259
	<u>671</u>	<u>259</u>	<u>671</u>	<u>259</u>
Total liabilities	<u>5.442</u>	<u>2.522</u>	<u>5.442</u>	<u>2.522</u>
Non-current liabilities other than provisions falling due more than five years after the balance sheet date (carrying amount)	<u>4.297</u>	<u>2.238</u>	<u>4.297</u>	<u>2.238</u>

15 Contingent liabilities and collateral

Contingent liabilities

EUR'000	Consolidated		Parent company	
	2020	2019	2020	2019
Lease obligations (operating leases) falling due within 5 years	3.105	2.914	889	1.079
Other obligations falling due within 5 years	0	3.202	0	0
Damstahl a/s guarantees for all existing liabilities in the subsidiary Damstahl GmbH	0	0	19.953	16.861
Guarantees for bank loans in other subsidiaries	0	0	15.779	13.305
Guarantees for associated companies	2.850	2.010	2.850	2.010
Guarantees for affiliated companies	889	1.378	889	1.378
Guarantee for rent in affiliated companies	160	85	160	85

* Damstahl GmbH has made use of the preparation and disclosure facilitations under section 264 (3) of The German Commercial Code

Collateral

EUR'000	Consolidated		Parent company	
	2020	2019	2020	2019
The following assets have been provided as collateral for mortgages:				
Land and buildings with a carrying amount of	4.325	4.021	4.325	4.021

Consolidated financial statement and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

16 Related party disclosures

Damstahl a/s' related parties comprise the following:

Parties exercising control

Snel AG, Switzerland, owns the entire share capital in the Company.

Other related parties

The Company's related parties comprise the Board of Directors, the Executive Board and subsidiaries. Related parties also comprise group entities in the Ehrenberg Group.

Related party transactions

Damstahl a/s has had the following related party transactions:

EUR'000	2020	2019
Sales to group entities	7.443	8.377
Bought from group entities	1.267	1.240
Financial income from group entities	15	5
Amounts owed by group entities (asset) - transactions during the year	100	-267
Amounts owed by group entities (debt) - transactions during the year	-46	-4

Transactions with related parties consist of group entities of the parent company Snel AG.

17 Proposed profit appropriation

EUR'000	Parent company	
	2020	2019
Proposed dividends	1.750	669
Reserve for net revaluation according to the equity method	1.304	2.740
Reserve for development costs	1.846	1.376
Retained earnings	-2.425	-1.082
	<u>2.475</u>	<u>3.703</u>

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