

**NLMK DANSTEEL A/S**

**Havnevej 33**

**3300 Frederiksværk**

**CVR no. 10092922**

**Annual report**

**1 January 2023 – 31 December 2023**

The Annual Report was submitted and approved by the general meeting on the  
4 June 2024

---

Alexei Fomenko  
Chairman of the meeting

## Contents

---

Company information	2
Statement by Board of Directors and Executive Board	3
Independent auditor's report	4
Management's review	7
Key figures and financial ratios	18
Statement of profit or loss	19
Assets	20
Equity and liabilities	21
Statement of changes in equity	22
Statement of cash flow	23
Notes	26
Accounting policies	34

## Company information

---

### Company

NLMK DANSTEEL A/S  
Havnevej 33  
3300 Frederiksværk

Municipality of domicile: Halsnæs  
CVR no.: 10092922  
Financial year: 1 January 2023 – 31 December 2023

### Board of Directors

Igor Sarkits  
Cornelius Janse Louwrens  
Sébastien Désiré N Durieux  
Horacio Esteban Malfatto  
Sarah Krins  
Gunnar Fonseca Larsen  
Donni Petersen

### Board of Executives

Christian Willumsen

### Auditor

Dansk Revision Søborg  
Statsautoriseret revisionsaktieselskab, Independent member of GGI Global Alliance AG  
Generatorvej 8D  
2860 Søborg

## **Statement by Board of Directors and Executive Board**

---

The Board of Directors and the Executive Board have today considered and approved the annual report of NLMK DANSTEEL A/S for the financial year 1 January 2023 – 31 December 2023.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2023 and of the results of its operations and cash flows for the financial year 1 January 2023 – 31 December 2023.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

**Frederiksværk 4 June 2024**

**Board of Executives:**

**Christian Willumsen**

**Board of Directors:**

**Igor Sarkits**  
**Chairman**

**Cornelius Janse Louwrens**

**Sébastien Désiré N Durieux**

**Horacio Esteban Malfatto**

**Sarah Krins**

**Gunnar Fonseca Larsen**

**Donni Petersen**

## Independent auditor's report

---

### To the Shareholders of NLMK DANSTEEL A/S

#### Opinion

We have audited the financial statements of NLMK Dansteel A/S for the financial year 1 January 2023 - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, statement of cash flow and notes, including accounting policies. The financial statements are 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 of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January 2023 - 31 December 2023 in accordance with the Danish Financial Statements Act.

#### 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 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the 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 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 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 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

## Independent auditor's report

---

the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment 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 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 note 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.

### Statement on the management commentary

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.

## **Independent auditor's report**

---

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

Based on our work, 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 Statement Act. We did not identify any material misstatement in the Management's review.

**Søborg, 4 June 2024**

**Dansk Revision Søborg**

**Statsautoriseret revisionsaktieselskab, CVR-no. 14649905**

Independent member of GGI Global Alliance AG

**Thomas Ennistein**

State-authorised public accountant

mne32161

## Management's review

---

### Principal activities

The principal activities comprise production of and trade in steel plates, including plates that have been finished by blasting and priming and fitted plates.

The plates are primarily sold in Northern Europe.

### Development in the financial year and results for the year

In terms of results, 2022 was a good year for NLMK DanSteel due to abnormal market situation. 2023 has been a more normal year in earnings, where sales prices for plates and purchase prices for raw materials have been challenged.

Based on the market conditions, it is the management's assessment that the result for the year is at an expected level.

The year's result for 2023 is at a slightly lower level than the expectations for results that were mentioned in the annual report for 2022.

During 2023, the top management of NLMK DanSteel has been changed and a new strategy has been determined.

The new strategy aims to change the focus from a production-oriented company to a more profit-oriented company, where the sales and production functions must work even more closely together to meet the customers' wishes and demands as best as possible to create greater value and earnings.

In recent years, NLMK DanSteel has made significant investments in new production equipment, which has resulted in increased production and a transition to the production of more individual and specialized steel plate products.

The production and sales volumes in 2023 are the largest in DanSteel's lifetime. The volume of higher-value products (HVA) has increased significantly in recent years and reached a new record level in 2023.

It has been decided not to pay dividends for 2023.

### Events after the end of the financial year

No significant events have occurred after the end of the financial year

### Special risks

The EU sanctions against the purchase of raw steel from Russia have been postponed so that the sanctions have been changed from October 2024 to October 2028. The process of finding new steel (slabs) suppliers has gone according to plan, and NLMK DanSteel has already received quantities of steel from suppliers outside Russia, rising from 5% in 2022 to 26% in 2023.



## Management's review

---

### Foreign exchange risks

The majority of the company's foreign exchange transactions are in EUR, which significantly reduces its exchange risks.

### Interest risks

NLMK DanSteel has taken out loans, where the interest is based on EURIBOR, for financing working capital. EURIBOR is a variable interest rate. The EUROBOR interest rate has stabilized in the recent period and is expected to be lower during 2024.

### Future prospects

The new ownership group behind NLMK DanSteel has increased the pace of the cultural change that NLMK DanSteel is undertaking. The goal is, in cooperation with our employees and the European head office in Belgium, to establish a more competitive and customer-oriented production unit in northern Europe

In 2024, a positive result on primary operations at the level of EUR 10 m EBITDA is expected.

## Report on Corporate Social Responsibility

### Introduction

NLMK DanSteel has previously worked with sustainability as part of NLMK Group, but in connection with the new ownership at the end of 2022, NLMK DanSteel has started on a more independent journey in sustainability work, including preparing its own sustainability strategy as part of a larger plan that is being prepared for 2024–2026 by NLMK Belgium Holdings SA ("NBH").

NBH is aware of its responsibility towards society, nature, and future generations. The Company adheres to the principles of sustainable development. It is committed to protecting the employees' health and wellbeing, nurturing talent, treating the environment responsibly, observing high ethical business standards, developing, supporting and respecting the interests of local communities, as well as maintaining transparency and a high quality of disclosure.

Sustainability management is integrated into NBH corporate governance. Sustainability is part of NBH's value proposition and consistently features high on the agenda of NBH leadership. The Board of Directors and Board committees determine strategic growth priorities and ensure overall sustainability management.

NLMK DanSteel has worked with continuous improvements for occupational health and safety, environment, and energy efficiency for many years and has established an Integrated QHSE Management System. The QHSE Management System includes quality (ISO 9001), environmental protection (ISO 14001), energy efficiency (ISO 50001), and occupational health and safety (ISO 45001).

Four committees have been established, all chaired by the General Manager of NLMK DanSteel, with management representation from different relevant functions and the site's QHSE managers. The committees ensure that the framework is in place for maintaining, operating, and further developing the QHSE Management System

## Management's review

---

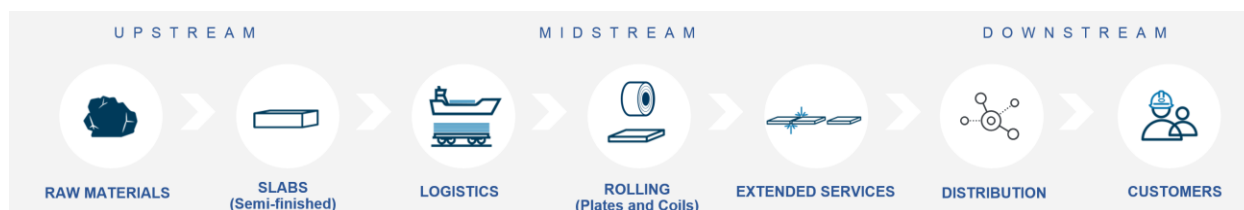
in accordance with ISO 9001, ISO 14001, ISO 45001, and ISO 50001.

NLMK DanSteel's mission is recognized as a responsible steel producer. This can be achieved through the Company's sustainable development, seeking an optimum balance between the environment, economy, and social commitment.

Through its management systems for quality, environment, energy, occupational health, and safety, NLMK DanSteel demonstrates that the Company is a responsible steel producer who wishes to play an active role in society and participate actively in improving quality, environment, energy efficiency, and occupational health and safety. Thus, NLMK DanSteel has been working in many areas of sustainability.

### Business model

NBH is a midstream steel producer that operates with full integration of an efficient upstream and flexible downstream. NBH has 5 production facilities in Europe, producing plates and coils and extended services.



NLMK DanSteel is a 100% order-producing plate mill that produces steel plates in thicknesses from 5–256 mm in widths and lengths up to 4 meters and 28 meters, respectively.

The plates are utilized in a wide range of applications across various industries, with shipbuilding and wind energy being the largest sectors.

NLMK DanSteel aims to make products that meet the requirements of its consumers whilst constantly improving its processes, ensuring safe working conditions, reducing its environmental impact, rationally using resources, and adhering to generally recognized social responsibility practices. The Company assumes responsibility for maintaining a favourable environment for the local Frederiksværk community by improving resource use efficiency and utilizing environmentally friendly and safe production technologies.

NLMK DanSteel believes that the above principles are key to sustainable economic and social development in the long term.

### Risks and due diligence

In connection with the activities of NLMK, DanSteel is exposed to a number of risks, which include general risks as well as risks specific to the steel industry. Management considers effective risk management to be an integral part of the Company's activities and is constantly working to minimize risks and uncertainties. This includes regular assessment of risks and whether existing risk controls are sufficient and up-to-date.

## Management's review

---

Risk assessment is based on a combination of two parameters – the likelihood and the negative consequences. Risk assessment serves as the basis for decision-making in the development of a risk management strategy.

In 2023, the Company once again assessed its risks and opportunities based on the Company context and stakeholders' opinions. Main requirements and conditions were analysed, and the most significant risks and opportunities were identified for making the right decisions within the business's strategic direction and developing activities to achieve the intended results and goals.

Based on this analysis, the following were assessed as the main risks in the field of sustainable development:

- Use of fossil fuels
- High energy consumption with associated negative climate impacts
- High risk of serious accidents at work due to the production process with heavy and hot products and powerful equipment.

To reduce energy consumption and its negative effect on the climate, NLMK DanSteel closely controls energy consumption and seeks to reduce it by continually improving energy efficiency and investing in the best available technologies. Options for replacing natural gas with other, more sustainable forms of energy are being investigated and monitored on an ongoing basis.

To further reduce the impact on climate, the Company uses energy sources with a low CO<sub>2</sub> footprint, such as electricity from renewable wind farms (confirmed by specified certificates) and energy from recovered heat.

This systemic activity is framed around ISO certifications on environment and energy (ISO 14001 and ISO 50001).

In 2020, NLMK DanSteel adopted its Strategic plan for Occupational Health & Safety for 2020–2022, part of which was successfully implemented, but partially adjusted during the implementation process in accordance with the changing needs and resources of the organization, and, thanks to this, was also fully implemented with greater efficiency in 2023. In order to minimize the risks of occupational injuries and accidents, NLMK DanSteel has been maintaining an occupational health and safety management system, which is certified for compliance with ISO 45001. The Company regularly passes recertification audits of the system. See the "Occupational Health and Safety" section below for more details.

### Sustainability

This is the second report prepared by NLMK DanSteel on ESG data. Key ESG metrics have been added to the financial review to show that the Company's values uphold the sustainability cause. Calculation and determination methods are in accordance with the ESG Key Indicators in the Annual Report<sup>1</sup>.

<sup>1</sup>Source: "ESG key figures in the annual report", *Finansforeningen, CFA Society Denmark, Danske revisorer FSR, NASDAQ 2022*.

## Management's review

---

The Company plans to continue disclosing more ESG data in years to come, thus creating an overview of its sustainability performance over the years.

NLMK DanSteel's reported environmental ESG data is disclosed in line with CF. Section 99 (a) of the Danish Financial Statements Act on Environment and Climate.

The Company reports on energy consumption and CO<sub>2</sub> emission (Scopes 1 and 2). In addition, the Company provides metrics on water consumption. Tracking these ESG metrics provides a good overview of the Company's impact on the environment and allows us to identify the most relevant areas for improvement, which is also supported by ISO 14001 and ISO 50001 certification. Besides the ISO 14001 certification, NLMK DanSteel also obtained a 3rd party verified EPD (Environmental Product Declaration) according to ISO 14025 & EN 15804. The intended use of the EPD is to communicate science-based environmental information on construction products for the purpose of assessing the environmental performance of buildings.

In terms of social data reporting, NLMK DanSteel provides metrics on gender diversity in general and at the management level, which is a relevant issue for the industry since it is traditionally male-dominated. In continuation of this, NLMK DanSteel deems it important to track the Gender Pay Ratio. The Company also discloses Sickness Absence Days as it is an important indicator of employee well-being. This year 2023, our Employee Turnover Ratio is added as an important indicator and area of action. It is calculated both for voluntary and involuntary termination for 2022 and 2023.

With regard to governance data, NLMK DanSteel reports on gender diversity on the Board level as well as Board meeting attendance rate, which demonstrates the commitment of the Board members.

## Management's review

ESG data		2023		2022	
<b>Environmental data</b>					
CO2e, scope 1	Tonnes	97.087	*	94.221	*
CO2e, scope 2	Tonnes	12.555	*	20.949	*
Energy Consumption GJ	GJ	1.949.229		1.921.048	
Renewable Energy Share %	%	54%		2%	
Water consumption	m3	882.490	**	711.939	*****
<b>Social data</b>					
Full-Time Workforce	FTE	512		481	***
Gender Diversity %	%	18/82		18/82	****
Gender Diversity Management %	%	13/87		4,4/95,6	****
Employee Turnover Ratio	%	11,3		18,7	
Sickness Absence Days Per FTE	Days per FTE***	15,5		15	***
<b>Governance data</b>					
Gender Diversity, Board %	%	14%		20%	
Board Meeting Attendance Rate %	%	100%		100%	

Table: ESG figures for 2022 & 2023

Notes to the table:

\* The calculations for the ongoing reporting are carried out in accordance with the authorities' requirements to CO2e, scope 1&2 format. Efforts are being made to begin reporting in line with, or rather in anticipation of, the upcoming changes in legislation. NLMK DanSteel is awaiting NBH's decision on the organization of the process. In order to be able to report in the new format, preliminary measures must be taken to prepare a relevant structure. Therefore, in 2024, a new adapted system for data registration and control must be established as a basis for the corresponding reporting. This will make the Company ready for the full non-financial reporting incl. ESG key figures in 2026 for the reporting year 2025.

\*\* Water consumption in 2023 consists of surface and municipal waters, excluding water delivered to ships

\*\*\* FTE – full-time equivalent (100 % FTE = full-time one man)

\*\*\* The calculation differs from the source. 'Average headcount' is used.

\*\*\*\* The calculation differs from the source. 'End year headcount' is used.

\*\*\*\*\* Water consumption in 2022 consists of surface and municipal waters, excluding water delivered to ships

### Climate and environment

One of NBH's value propositions is to align the portfolio with Climate Goals:

*"We have a unique position to leverage sustainability practices – i.e. a circularity model of supply with existing customers to bring to market steel with a lower carbon footprint. Currently, >65% of electricity comes from renewable electricity, and 50% of the portfolio is oriented towards green applications."*

NLMK DanSteel is fully committed to climate change action and takes meaningful steps towards reducing greenhouse gas emissions, progressively reducing the carbon footprint of its products. NLMK DanSteel runs an energy-efficient steel mill in Denmark and is playing its part in the green transition.

NLMK DanSteel is an energy-intensive but also energy-efficient company which takes measures to reduce its impacts.

## Management's review

---

NLMK DanSteel has adopted an Energy Policy and a Climate Policy. Together they form the foundation for NLMK DanSteel's commitment to improve energy-efficiency and reduce CO2 emissions.

In line with this commitment, the Company carries out activities to reduce its CO2 emissions through optimising its operations and implementing energy-efficiency improvement measures. This systemic work is supported by energy-saving projects.

During the past few years, the Company has been working to establish a collaboration with its neighbour – Halsnæs Forsyning (HF, the local community's Energy provider) – on a joint project involving using waste heat from NLMK DanSteel, which could be sold to Halsnæs Forsyning for further distribution. By involving us in this project, NLMK DanSteel gets the opportunity to make a solid contribution to the green transition by using the waste heat to reduce Halsnæs Forsyning's overall CO2 emissions significantly. NLMK DanSteel has ample opportunity for waste-heat recovery, but the primary scope is Slab Furnace No.2 and No 3. The recovered heat will be used to heat neighbouring communities. It was agreed that the business project options proposed by the HF will be considered already during the end of 2<sup>nd</sup> quarter of 2024 (subject to local approval, ref. Halsnæs).

NLMK DanSteel also has an Environmental Policy. The policies stipulate the Company's efforts to take good care of the environment by minimising the negative impacts of its activities.

The Company takes meaningful steps to avoid the negative consequences of environmental impact. Raw materials and waste are handled and stored in such a way that there is no risk of soil and surface water. Wastewater is discharged into the harbour basin after being treated. A project to further improve the wastewater discharge to the harbour is under consideration.

### *Environmental achievements and targets*

The company does not exceed established limits on air emissions and wastewater. However, there are minor excesses of noise levels, for which an action plan has been developed to implement measures to reduce the noise level to a level not exceeding the regulatory indicators. In addition, approx. 89% of the cooling water and 99% of the waste are recycled.

Constant work is underway to reduce the environmental impact, including increasing production efficiency and implementing energy-saving measures. In 2023 alone, annual energy savings stood at more than 19.000 MWh. Among the many small and large projects implemented to achieve these results are for instance:

- Sealing the insert side of the slab Furnace 2
- Heat recovery from slab furnaces 2+3 to internal central heating
- Decreasing zone t0 in Furnace 2
- Adjustment of the pressure in Norm. Furnace V20

NLMK DanSteel continues its investments in green energy. The Company bought specified certificates from the Overgaard Wind Farm corresponding to 50% of the electricity consumption in 2023. In addition, we are working on the following targets:

---

## Management's review

---

- Achieve 75% coverage of electricity consumption by electricity derived from green sources by 2025
- 100% coverage by 2030

### ***Social and staff matters***

NLMK DanSteel has a Personnel Policy that aims to create a motivating and result-oriented working environment.

The Company offers additional training and development opportunities to enable the employees to perform current and future tasks. It is the responsibility of the Management to ensure that employees have the necessary qualifications to perform their tasks effectively and with attention to quality and safety.

At the beginning of 2023, the Company created a project group to determine the reasons for high staff turnover, as well as find solutions to reduce the turnover ~~loss factor~~. In 2022, the turnover rate was at its highest level (18.7%), and as a result of new initiatives during 2023, it dropped to 11.3%. Some of the key initiatives were tracking the reasons why employees left the company and the introduction of a new hiring process with the direct involvement of team managers and the HR team.

The Company promotes the freedom of associations and the right of collective bargaining: DanSteel does not discourage employees from establishing associations to promote their interests if they wish to do so. The Company sets remunerations in accordance with the applicable statutory provisions on remuneration, in particular those that establish the minimum wage, acceptable working hours and overtime compensation.

NLMK DanSteel is also focused on improving the health and well-being of its employees. "Stop Smoking" courses and other rehabilitation activities are included in the health insurance provided to employees. Furthermore, during the year, the Company carries out campaigns and events to improve physical and mental health and holds the annual day-out at the DHL Relay in Copenhagen, the local football club event and other events.

For many years, NLMK DanSteel has been the main sponsor of the local football club, Frederiksværk Fodbold Klub (FFK). The yearly sponsorship is in the region of EUR 20,000 and helps FFK provide leisure pursuits for girls and boys from the age of 4 and adult teams of 40+ years of age. As of 2023, the club has more than 500 members, playing on more than 40 teams, and our sponsorship will continue in 2024 as well.

NLMK DanSteel deems it important to be part of young people's future education and training. In 2023, the Company had 10 apprentices. The plan is to increase this over the coming years to a total of 28 apprentices (7 in and 7 finishing education yearly). However, this is pending formal approval of a new Apprentice Program. The apprentices will be trained by expert electricians, blacksmiths and various technicians. To accommodate the higher intake of apprentices, the Company will update its "Apprentice Workshop" and assign expert supervisors to ensure the apprentices get the best possible training.

By increasing the intake of apprentices, the Company strives to create more opportunities for the young people of the Municipality (Halsnæs Kommune) and the surrounding areas as well, while securing the right talent with the expected set of skills.

## Management's review

---

### *Occupational Health and Safety*

Due to the nature of the Company's operations, the risk of serious work-related accidents is high. Therefore, occupational health safety is a top priority for NLMK DanSteel. Striving for a zero injury rate ("Vision Zero") at all its operations, the Company is continuously improving its OHS management system.

NLMK DanSteel has adopted an Occupational Health and Safety Policy. The policy addresses the Company's efforts to ensure a healthy and safe working environment for all its employees. A safe working environment is not only about preventing accidents but also about preventing long-term consequences such as professional illnesses.

The Company reviews its operational health and safety strategy and plans every year to improve them further. Following the strategy adjustments, DanSteel has been implementing a new process that prioritises the top 5 most important risk-mitigating activities, promoting the development of a safety culture and high levels of employee engagement in risk identification and mitigation.

The top 5 risk-mitigating activities include:

- Implementation of the APV (workplace assessment) action plans in all departments
- Creating opportunities for learning and increasing awareness by improving the system for recording accidents and near misses.
- Risk assessment of daily work tasks that suddenly occur (Pre-task).
- Risk assessment of hazardous work tasks in the production and maintenance teams.
- Conducting safety dialogues in production, maintenance and all other departments, hereby supporting our Safety Culture at DanSteel.

### *Operational health and safety achievements and targets*

A new workplace assessment was finalised in 2023, and all Health and Safety groups have been involved in preparing detailed action plans for all 29 departments. These plans continue the work on an overall mapping of occupational health and safety risks at NLMK DanSteel. The action plans include over 281 improvement projects, of which almost 35% were completed in 2023. The rest of the projects are planned to be implemented in 2024 and 2025.

The newly improved reporting system for near misses has proven its worth, as the number of reported near misses has more than tripled versus the past year.

Risk management has played a big role in preventing accidents for many years. The Company employees identify risks and plan and implement preventive measures before planned or unplanned operations. In 2022, 42 detailed risk identification and assessment for hazardous operations and maintenance tasks were carried out, and corresponding action plans were developed. The planned mitigations of the identified activities have been implemented during 2023. Apart from that, a special risk assessment of confined spaces was carried out during 2022/2023. As a result, 32 confined spaces were mapped, and risk assessed. There will be a special focus on

---



## Management's review

---

implementing barriers and quality controls in Q1/2 2024. Training for work in confined spaces will take place in Q2/Q3 2024.

246 pre-task risk assessments of maintenance operations and 138 safety dialogues were carried out in 2023. A whole new onboarding programme was launched in 2022. The training programme consists of video modules, classroom-based teaching, and sidekick training and takes 5 days to complete. It is designed to create and promote a strong safety culture, where conscious behaviour is a natural part of every work task. The same onboarding safety course was carried out as refreshment training for the established employees in 2023, of which 183 employees have completed it.

### ***Promoting gender diversity and equality***

The Company is working on increasing the number of female managers and has set specific goals for the share of the less represented gender within the Board of Directors.

The gender equality targets include:

- Equal gender distribution among the shareholder elected Board members.
- Providing access to both male and female candidates during the recruitment phase in internal and external job postings.

### ***Human rights***

As mentioned earlier, NLMK DanSteel has decided to start on a more independent journey in its work with sustainability, following new ownership at the end of 2022. This includes devising its own Human Rights Policy as part of a larger process containing the Sustainability Plan being prepared for 2023–2026.

The Company will still make use of the best parts of the NLMK Group Human Rights Policy, e.g., not tolerate any form or manifestation of human rights violations in its operations, financial or other activities, including interaction with stakeholders; make sure that employees are free from any form of harassment and unlawful discrimination, irrespective of their race, colour, religion, ethnicity, gender, age, family status, or any other status protected by the legislation.

### ***Human rights achievements and targets***

The company is devising a comprehensive plan for its transition, which involves pinpointing focus areas within sustainability disciplines, including human rights, and establishing corresponding policies and goals.

### **Ethics**

As with human rights, NLMK DanSteel also plans to develop its own Ethics Policy.

Similarly, the Company will use good values from the NLMK Group Policy, e.g., to strive to foster an honest and open relationship with its staff, partners, regulating bodies, and society as a whole, encourage fair competition, and deem any form of corruption to be unacceptable, including bribery, collusion, corrupt payments, abuse of position, facilitation payments, etc.

## Management's review

---

NLMK DanSteel is governed by the NLMK Europe Code of Business Conduct and Ethics, Conflicts of Interest Policy and Whistle-blower Policy.

### *Achievements and targets*

DanSteel implemented a new whistleblowing procedure in 2022 in line with legal obligations. This project is part of the updated NLMK Europe Code of Business Conduct and Ethics. In addition to the Code and the whistleblowing procedure, the Anti-Bribery and Conflict of Interest policies have also been updated. No breaches of the Code of Conduct were identified in 2023.

The procedure encourages Company employees to act and explains how, in their professional lives, they may witness behaviours, actions or situations that make them uncomfortable, challenge them, and/or seem to contradict Company values, ethics, and/or the laws and rules of our European companies.

NLMK Europe has also launched a reporting tool, the ETHICSPOINT platform, which offers safe and secure features (including the non-traceability of whistle-blowers' identities). It allows employees to submit a report at any time, from anywhere, and from different devices.

	2023	2022	2021	2020	2019
<b>Key figures and financial ratios</b>	MEUR	MEUR	MEUR	MEUR	MEUR
<b>Income statement</b>					
Revenue	595	728	482	314	384
<b>Gross profit/loss</b>	<b>76</b>	<b>114</b>	<b>36</b>	<b>24</b>	<b>38</b>
Profit on primary activities	3	46	-52	-43	-27
<b>Operating profit/loss</b>	<b>6</b>	<b>49</b>	<b>-16</b>	<b>-19</b>	<b>-7</b>
Financial income and expenses	-3	0	-3	-1	-1
<b>Profit/loss for the year before tax</b>	<b>4</b>	<b>50</b>	<b>-20</b>	<b>-20</b>	<b>-47</b>
<b>Profit/loss for the year</b>	<b>4</b>	<b>50</b>	<b>-20</b>	<b>-20</b>	<b>-48</b>
<b>EBITDA</b>	<b>19</b>	<b>60</b>	<b>-6</b>	<b>-5</b>	<b>6</b>
<b>EBIT</b>	<b>6</b>	<b>49</b>	<b>-17</b>	<b>-18</b>	<b>-46</b>
<b>EBT</b>	<b>4</b>	<b>50</b>	<b>-20</b>	<b>-20</b>	<b>-47</b>
<b>Balance sheet</b>					
Investments in tangible fixed assets	19	32	23	30	28
Balance sheet total	471	461	425	306	293
Equity	155	151	101	59	79
<b>Key figures as %</b>					
Gross margin	12.8	15.7	7.5	7.8	10.0
Profit margin	1.1	6.7	-3.3	-6.0	-1.7
Rate of return	1.4	11.1	-4.4	-6.1	-2.1
Rate of turnover receivables	6.7	8.5	7.4	6.0	7.1
Equity ratio (solvency ratio)	32.9	32.8	23.9	19.4	27.1
Return on equity	3.3	32.8	-19.4	-34.1	-4.6
Average number of employees	512	481	450	427	426
Net revenue per employee in EUR '000	1,162	1,514	1,072	731	902

The financial ratios are calculated in accordance with Finansforeningen's recommendations.

Note	Statement of profit or loss	2023 1,000 EUR	2022 1,000 EUR
<b>For the period 1 January - 31 December</b>			
1	Revenue	595,115	728,151
	Cost of sales	-518,802	-614,013
	<b>Gross profit</b>	<b>76,313</b>	<b>114,138</b>
	Selling expenses	-43,285	-45,990
	General and administrative expenses	-29,835	-21,901
	Other operating income	3,225	3,341
	Tax, other than income tax	-32	-472
	<b>Operating profit</b>	<b>6,386</b>	<b>49,117</b>
	Share in net result of subsidiary accounted for using the equity method	1,744	2,774
	Financial income	618	154
	Impairment of non-current assets	0	-387
	Financial expenses	-5,144	-2,156
	<b>Profit before income tax</b>	<b>3,604</b>	<b>49,502</b>
2	Income tax (expense)	0	0
	<b>Profit of the year</b>	<b>3,604</b>	<b>49,502</b>
<b>Proposal for distribution of net income:</b>			
	Reserve for net revaluation according to the equity method	1,744	2,774
	Retained earnings	1,860	46,728
	<b>Total distribution of net income</b>	<b>3,604</b>	<b>49,502</b>
3	Staff costs		

		2023	2022
Note	<b>Assets</b>	1,000 EUR	1,000 EUR
	<b>Assets as at 31 December</b>		
4	Land and buildings	64,505	66,214
5	Machinery and equipment	122,990	121,454
6	Construction in progress	17,016	11,301
	<b>Tangible fixed assets</b>	<b>204,512</b>	<b>198,968</b>
7	Investments in group enterprises	5,606	3,862
	<b>Financial assets investments</b>	<b>5,606</b>	<b>3,862</b>
	<b>Total non-current assets</b>	<b>210,118</b>	<b>202,830</b>
	Raw materials	69,728	72,630
	Work in process	47,214	72,296
	Finished goods	6,649	5,252
8	<b>Inventories</b>	<b>123,591</b>	<b>150,178</b>
	Trade receivables	89,955	87,559
	Receivables from group enterprises	25,993	7,419
9	Deferred tax assets	0	0
	Tax receivables	0	2,046
	Other account receivables	7,505	541
10	Prepayments	1,609	1,105
	<b>Receivables</b>	<b>125,061</b>	<b>98,669</b>
	<b>Cash and cash equivalents</b>	<b>12,382</b>	<b>8,960</b>
	<b>Total current assets</b>	<b>261,074</b>	<b>257,808</b>
	<b>Total assets</b>	<b>471,152</b>	<b>460,638</b>

Note	<b>Equity and liabilities</b>	2023 1,000 EUR	2022 1,000 EUR
<b>Equity and liabilities as at 31 December</b>			
11	Common stock	12,475	12,475
	Reserve for net revaluation according to equity method	5,576	3,832
	Retained earnings	137,134	134,661
	<b>Total equity</b>	<b>155,184</b>	<b>150,968</b>
	Other provisions	10	61
	<b>Provisions</b>	<b>10</b>	<b>61</b>
	Credit institutions	2,992	98,650
12	<b>Total non-current payables</b>	<b>2,992</b>	<b>98,650</b>
13	Credit institutions	96,897	1,748
	Advances received	1,474	2,194
	Trade payables	196,858	199,061
	Payables to group enterprises	0	228
	Other payables	17,736	7,727
	<b>Total current payables</b>	<b>312,965</b>	<b>210,958</b>
	<b>Total liabilities and provisions</b>	<b>315,967</b>	<b>309,608</b>
	<b>Total equity and liabilities</b>	<b>471,152</b>	<b>460,638</b>
14	Important matters		
15	Contingents liabilities		
16	Charges and securities		
17	Related Party transactions		

	2023	2022
<b>Statement of changes in equity</b>	1,000 EUR	1,000 EUR
<b>Statement of changes in equity 1 January – 31 December</b>		
Common stock 1 January	12,475	12,475
<b>Common stock 31 December</b>	<b>12,475</b>	<b>12,475</b>
Reserve for net revaluation 1 January	3,832	1,058
Allocation for the year to reserve	1,744	2,774
<b>Reserve for net revaluation 31 December</b>	<b>5,576</b>	<b>3,832</b>
Retained earnings 1 January	134,661	87,933
Retained earnings for the year	1,860	54,913
Other corrections	614	-8,185
<b>Retained earnings 31 December</b>	<b>137,135</b>	<b>134,661</b>
<b>Equity 31 December</b>	<b>155,184</b>	<b>150,968</b>

Note	2023 1,000 EUR	2022 1,000 EUR
<b>Statement of cash flows</b>		
<b>Net income or loss for the year</b>	<b>3,604</b>	<b>49,502</b>
Depreciation and amortisation of non-current assets	12,846	10,470
Financial income	-618	-155
Financial expenses	5,144	1,795
Paid taxes	-2,011	2,011
Other adjustments	-905	0
<b>Adjustments</b>	<b>14,457</b>	<b>14,121</b>
Change in inventories	26,587	-697
Change in receivables	-26,392	-8,603
Change in current payables	102,160	-14,117
<b>Change in working capital</b>	<b>102,355</b>	<b>-23,417</b>
Interests received etc.	618	155
Interests paid etc.	-5,144	-1,795
<b>Interest payments etc.</b>	<b>-4,527</b>	<b>-1,640</b>
Corporate tax paid	2,011	-2,011
<b>Cash flow from operating activities</b>	<b>118,806</b>	<b>36,556</b>
Acquisition of property, plant and equipment	-18,821	-31,544
<b>Cash flow from investing activities</b>	<b>-18,821</b>	<b>-31,544</b>
Change in non-current payables	-95,658	-9
<b>Cash flow from financing activities</b>	<b>-95,658</b>	<b>-9</b>
<b>Change in cash and cash equivalents</b>	<b>3,421</b>	<b>5,003</b>
Cash and cash equivalents 1 January	8,960	3,957
Cash and cash equivalents 31 December	12,382	8,960
<b>Change in cash and cash equivalents</b>	<b>3,421</b>	<b>5,003</b>



<b>Notes</b>		2023	2022
		1,000 EUR	1,000 EUR
<b>1</b>	<b>Revenue</b>		
	<b>(a) Revenue by product</b>		
	Flat products	539,536	684,322
	Scrap	27,930	34,317
	Other products	30	198
	<b>Total revenue from sale of goods</b>	<b>567,496</b>	<b>718,837</b>
	Revenue from transportation services	27,619	9,314
		<b>595,115</b>	<b>728,151</b>
	<b>(b) Revenue by geographical area</b>		
	Denmark	129,875	191,657
	Germany	109,047	122,737
	Poland	75,241	94,638
	Spain	57,239	57,004
	Finland	36,003	43,469
	United Kingdom	31,394	38,132
	Sweden	35,764	37,963
	European Union, other	95,354	111,761
	Other European countries	11,643	21,739
	Other regions	13,555	9,052
		<b>595,115</b>	<b>728,151</b>
<b>2</b>	<b>Income tax</b>		
	Tax of the year	0	0
	Adjustment of deffered tax	0	0
	<b>Income tax</b>	<b>0</b>	<b>0</b>

<b>Notes</b>	2023 1,000 EUR	2022 1,000 EUR
<b>3 Staff costs</b>		
Pay and remuneration	40,397	34,548
Pensions	3,692	2,732
Social security contributions and staff costs	59	222
<b>Staff costs</b>	<b>44,148</b>	<b>37,502</b>
<p>Average number of employees are 512. Remuneration for the executive board is summarized in staff costs, because the executive board only consists of one member, and the board of executives is not remunerated.</p>		
<b>4 Land and buildings</b>		
Cost 1 January	83,223	34,815
Additions during the year	1,261	48,408
Cost 31 December	84,484	83,223
Depreciation, amortisation and impairment 1 January	-17,010	-15,843
Depreciation and amortisation for the year	-2,969	-1,166
Depreciation and amortisation 31 December	-19,979	-17,010
<b>Land and buildings</b>	<b>64,506</b>	<b>66,214</b>
Of this, financially leased assets constitute	843	843
<b>5 Machinery and equipment</b>		
Cost 1 January	281,499	269,048
Additions during the year	11,648	14,217
Disposals during the year	-234	-1,766
Cost 31 December	292,912	281,499
Depreciation, amortisation and impairment 1 January	-160,045	-150,741
Depreciation and amortisation for the year	-9,877	-9,304
Depreciation and amortisation 31 December	-169,922	-160,045
<b>Machinery and equipment</b>	<b>122,990</b>	<b>121,454</b>
Of this, financially leased assets constitute	7,411	8,553

<b>Notes</b>	2023 1,000 EUR	2022 1,000 EUR
<b>6 Construction in progress</b>		
Cost 1 January	11,301	43,467
Additions during the year	5,912	23,906
Disposals during the year	-197	-56,072
Cost 31 December	<u>17,016</u>	<u>11,301</u>
<b>Construction in progress</b>	<b><u>17,016</u></b>	<b><u>11,301</u></b>
<b>7 Investments in group enterprises</b>		
Cost 1 January	<u>30</u>	<u>30</u>
Cost 31 December	<u>30</u>	<u>30</u>
Revaluations 1 January	3,832	1,058
Net profit from group enterprises investments	1,744	2,774
Revaluations 31 December	<u>5,576</u>	<u>3,832</u>
<b>Investments in group enterprises</b>	<b><u>5,606</u></b>	<b><u>3,862</u></b>
Name	Registered in	Ownership share
NLMK Plate Baltic SIA	Latvia	100 %
<b>8 Inventories</b>		
Raw materials	69,728	72,630
Work in process	47,214	72,296
Finished goods	6,649	5,252
<b>Inventories</b>	<b><u>123,591</u></b>	<b><u>150,178</u></b>

Raw materials include spare parts of a value of EUR 16,064K (31 December 2022: EUR 12,581K).

<b>Notes</b>	2023 1,000 EUR	2022 1,000 EUR
<b>9 Deferred tax assets</b>		
Deferred tax assets 1 January	0	0
<b>Deferred tax assets 31 December</b>	<b>0</b>	<b>0</b>
<p>The company has a not recognised deferred tax assets with a value of EUR 38.5M (31 December 2022: EUR 37.5M).</p>		
<b>10 Prepayments</b>		
Insurance	1,585	454
Other	24	651
<b>Prepayments</b>	<b>1,609</b>	<b>1,105</b>
<b>11 Common stock</b>		
Common stock 1 January	12,475	12,475
<b>Common stock 31 December</b>	<b>12,475</b>	<b>12,475</b>
<p>As at 31 December 2023, the company's common stock consists of EUR 12,475K issued common shares with a value of 134 EUR each.</p>		
<b>12 Non-current payables</b>		
1-2 years	885	93,877
2-5 years	1,834	4,386
Over 5 years	273	387
<b>Total</b>	<b>2,992</b>	<b>98,650</b>
<p>Of this, leasing constitutes EUR 3M.</p>		

Notes	2023	2022
	1,000 EUR	1,000 EUR
<b>13 Credit institutions (short term)</b>		
Credit institutions	96,897	1,748
<b>Total</b>	<b>96,897</b>	<b>1,748</b>

Of this, leasing constitutes EUR 2M.

#### 14 Important matters

NLMK DanSteel's main supplier of raw steel (slabs) is based in Russia.

The EU has introduced sanctions against the purchase of raw steel (slabs) in Russia. The EU sanctions against the purchase of raw steel were changed in December 2023 so that it is now possible to purchase raw steel from Russia until the beginning of October 2028. The previous EU sanction against the purchase of raw steel from Russia would have come into force from October 2024. NLMK DanSteel already buys raw steel from alternative suppliers (5% in 2022 and now 26% in 2023) and enters into close cooperation with the company's majority shareholder NLMK Belgium Holding to find new suppliers so that production at NLMK DanSteel can be maintained.

NLMK DanSteel's current credit line, which constitutes a significant part of the accounting item Credit institution (short-term), will be repaid during 2024. The financing for repayment of the said credit line is provided by contributions from the ownership group and the establishment of a new credit line.

NLMK DanSteel's management, together with the company's main shareholder NLMK Belgium Holding, is positive about the company's future operations and the annual report has been prepared on a going concern basis.

#### 15 Contingents liabilities

##### Floating Charge

The company has pledged collateral in inventories and trade receivables of EUR 95M and the book value amounts to EUR 124M and EUR 90M respectively.

Further, the company has given a negative pledge concerning the assets above and receivables in general.

	2023	2022
<b>Notes</b>	1,000 EUR	1,000 EUR

---

**Mortgages**

The company has issues mortgage deeds amounting to a total of EUR 134M. There is currently no actual debt behind these mortgages but they still are registered at the authorities for possible later use.

**16 Charges and securities**

As security for commitment with the company's bank connection a registered business security of EUR 95M is registered. The company security includes inventories (raw materials, work in process and finished goods) and receivables from sales and services which per 31 December 2023 has a total accounting value of EUR 216M.

The company has issued guarantees amounting to USD 20,000 and EUR 333K for Deutsche Bank's account and risk in favour of third parties.

**17 Related party transactions**

NLMK Dansteel A/S related parties with controlling influence include the following:

NLMK Belgium Holding SA, La Louvière, Belgium, holding 100% of the share capital.

**(a) Sales**

NLMK North America Plates	4,797	561
NLMK Plate Baltic SIA	13,771	13,075
NLMK South Africa	3,194	2,778
NBH Group	1,580	637
<b>Total sales</b>	<b>23,342</b>	<b>17,051</b>

**(b) Purchases**

NLMK Trading S.A.	341,687	469,651
STEELENA DMCC	9,502	0
NBH Group	5,690	29,520
Other related parties	273	1,190
<b>Total purchases</b>	<b>357,152</b>	<b>500,361</b>

Notes	2023	2022
	1,000 EUR	1,000 EUR
<b>(c) Interest expence</b>		
NLMK Trading S.A.	242	0
<b>Total interest expence</b>	<b>242</b>	<b>0</b>
<b>(d) Interest income</b>		
NLMK Sales Europe S.A.	532	0
Tubes de Haren et Nimy S.A.	80	154
<b>Total interest income</b>	<b>612</b>	<b>154</b>
<b>(e) Accounts receivable and advances given</b>		
NLMK North America Plates	1,674	4
NLMK South Africa	3,041	1,053
NLMK Plate Baltic SIA	6,026	1,855
NBH Group	48	186
Other related parties	0	48
<b>Total accounts receivable and advances given</b>	<b>10,790</b>	<b>3,147</b>
<b>(f) Accounts payable</b>		
NLMK Trading S.A.	184,210	185,241
NLMK PJSC	95	95
NBH Group	1,745	899
<b>Total accounts payable</b>	<b>186,050</b>	<b>186,236</b>
<b>(g) Loans given</b>		
Tubes de Haren et Nimy S.A.	0	4,284
NLMK Sales Europe S.A.	25,993	0
<b>Total loans given</b>	<b>25,993</b>	<b>4,284</b>

<b>Notes</b>	2023	2022
	1,000 EUR	1,000 EUR

---

**(h) Interests on loans**

LLC NLMK Overseas Holdings	<u>0</u>	<u>31</u>
Total interests on loans	<u><b>0</b></u>	<u><b>31</b></u>



## Accounting policies

---

### General

The annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C large enterprises.

The financial statements were prepared using the same accounting policies as last year.

The Financial Statements for 2023 are presented in EURO.

Due to significant errors in previous years' recognition and measurement of inventory (raw material), the accounting practice has changed.

The changes have the following effect as of 31 December 2023 (31 December 2022):

- |                       |                      |
|-----------------------|----------------------|
| • Raw materials:      | EUR 0K (EUR -8,797K) |
| • Income Tax          | EUR 0K (EUR 611K)    |
| • Equity:             | EUR 0K (EUR -8,185K) |
| • Result of the year: | EUR 0K (EUR -8,185K) |

### Consolidated financial statements

In accordance with section 112 of the Danish Financial Statement Act, consolidated financial statements were not prepared, as the group is itself a subsidiary of a higher-ranking parent company (NLMK Belgium Holding SA).

### General principles for recognition and measurement

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

Liabilities are recognized 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.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost, implying the recognition of a constant effective interest rate to maturity. Amortised cost is determined as original cost less any repayments and with addition/deduction of the accumulated amortisation of the difference between cost and nominal amount.

In recognition and measurement, foreseeable losses and risks are taken into consideration when arising before the annual report is prepared and proving or disproving matters existing on the balance sheet date.

Income is recognized in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortized cost. Also recognized are expenses incurred to generate the earnings for the year, including depreciation, amortization, impairment losses and provisions, as well as reversals resulting from changes in accounting estimates of amounts previously recognized in the income statement.

---

## **Accounting policies**

---

### **Foreign currency translation**

During the year, foreign currency transactions are translated at the exchange rates prevailing on the transaction date. Foreign currency receivables, payables and other items that have not been settled on the balance sheet date are translated at the exchange rates prevailing on the balance sheet date.

Realized and unrealized foreign currency translation adjustments are recognized in the income statement under net financials.

Financial instruments are not used to hedge the value expressed in Danish currency of balance sheet items in foreign currencies and future foreign currency transactions.

## Accounting policies

---

### Income statement

#### Revenue

Revenue from the sale of goods for resale and finished goods is recognized in the income statement if the delivery and passing of risk to the buyer have taken place before the end of the financial year and if the amount of revenue can be determined reliably and is expected to be received. Revenue is recognized exclusive of VAT and less sales discounts.

#### Cost of sales

Production costs include cost, including depreciation and wages, incurred to achieve the net revenue. Trading companies recognize cost of sales and the producing companies corresponding to the net revenue. This includes direct and indirect costs of raw materials and consumables, wages and salaries, rent and leasing as well as depreciation on machinery and equipment.

#### Selling expenses

Distribution costs include costs incurred for the distribution of goods sold during the year and for sales campaigns carried out during the year etc. This includes costs for sales staff, advertising and exhibition costs as well as depreciation.

#### General and administrative expenses

Administrative expenses include expenses incurred for the management and administration of the company, including expenses for the administrative staff, office premises and office expenses as well as depreciation.

#### Other operating income

Other operating income contains accounting items of a secondary nature in relation to the company's main activity.

#### Other operating expenses

Other operating expenses include items of a nature secondary to the company's activities, including loss at sales of intangible and tangible non-current assets.

#### Leases

Lease payments under contracts that are not finance leases or other rental agreements are recognized in the income statement over the term of the contracts. The company's total liabilities relating to leases and rental agreements are stated under rental and lease obligations.

#### Staff costs

Staff costs are allocated to the relevant functions in the Statement of Profit or Loss.

## **Accounting policies**

---

### **Financial income and expenses**

Net financials include interest income and expenses, financial expenses relating to finance leases, realized and unrealized capital gains and losses from foreign currency securities, payables and transactions, amortization of mortgage loans and surcharges and allowances under the tax prepayment scheme etc.

### **Results from group enterprises**

Results from group enterprises are recognized in the income statement with the proportional share of the companies' results after adjusting for internal profit or loss.

### **Tax on net income or loss for the year**

Tax for the year, comprising current tax for the year and changes in deferred tax for the year, is recognised in the income statement as the share attributable to net income or loss for the year, and directly in equity as the share attributable to entries directly to equity.

## Accounting policies

---

### Balance sheet

#### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation. Property, plant and equipment are depreciated on a straight-line basis, based on an estimate of the useful life and residual value of each asset.

The basis of depreciation is cost less estimated residual value at the end of the useful life. Cost includes the cost of acquisition and expenses directly related to the acquisition until the asset is ready for use. Land is not depreciated.

The depreciation period and residual value are determined at the time of acquisition and will be reassessed on an annual basis. If the residual value of the asset exceeds its book value, depreciation will be discontinued. When there is a change in the depreciation period or residual value, the effect on depreciation will be recognized on a forward-looking basis as a change in the accounting estimate.

Estimated useful lives are included as follows:	Depreciation period	Residual value
Buildings	25 years	20 %
Machinery and equipment	5 - 30 years	0-20 %

Profit or loss on the disposal of property, plant and equipment is determined as the difference between the selling price less selling costs and the carrying amount at the time of sale. Profit or loss is recognized in the income statement under other operating income or other operating expenses.

Property, plant and equipment under leases and meeting the conditions for finance leases are treated under the same guidelines as those applying to owned assets.

Tangible fixed assets under construction are measured to accumulated payments until the asset is done and can be transferred to the correct category of assets.

#### Impairment losses on non-current assets

The carrying amount of intangible assets and property, plant and equipment is assessed every year to determine whether there are indications of any impairment of value beyond what is expressed in the amortization and depreciation charges.

If there are indications of impairment, an impairment test must be carried out for each individual asset or group of assets, respectively. An impairment charge is taken against the recoverable amount of the assets if that is lower than the carrying amount.

The higher of the net selling price and the value in use is used as the recoverable amount. The value in use is determined as the present value of the estimated net income from the use of the asset or asset group.

## Accounting policies

---

### Financial assets investments

Investments in group enterprises are recognized according to the intrinsic value method. The share of the year's profit is recognized in the income statement. In the balance sheet, the proportional ownership share is measured by the accounting net asset value calculated according to the parent company's accounting practices, corrected for unrealized intra-group profits or losses.

Group enterprises and associates with a negative equity value are recognized at DKK 0, and any receivables from these enterprises are written down by the parent company's share of the negative equity value to the extent that the receivable is deemed uncollectible. If the negative equity value exceeds receivables, the remaining amount of the negative equity value is recognized under provisions to the extent that the parent company has a legal or constructive obligation to cover the negative balances of these enterprises.

Total net revaluation of investments in group enterprises and associates is transferred via distribution of net income to 'Reserve for net revaluation according to the equity method' under equity. The reserve is reduced by dividend distributions to the parent company and adjusted by other changes in equity in group enterprises and associates.

### Inventories

Inventories are measured at cost using the FIFO method or net realizable value where this is lower. Any write-downs of inventories to net realizable value are recognized in the income statement.

The net realizable value of inventories is calculated as the selling price less the costs of completion and expenses incurred to produce sales and is determined with a view to marketability, obsolescence and developments in expected selling price.

The cost of goods for resale as well as raw materials and consumables used includes the cost of acquisition plus delivery costs.

The cost of manufactured finished goods and work in progress includes all direct expenses, including materials and wages with addition of production overheads.

### Receivables

Receivables are measured in the balance sheet at amortized cost, usually equivalent to nominal value. The values reduced by write-downs for expected losses following an assessment of each receivable.

### Prepayments (recognized as assets)

Prepayments recognized as assets include expenses incurred in respect of subsequent financial years.

### Cash

Includes cash and easily realizable securities which are subject to insignificant risk of changes in value.

## Accounting policies

---

### **Reserve for net revaluation according to the equity value method**

Reserve for net revaluation according to equity value includes net revaluation of capital shares in subsidiaries and associated companies in relation to cost price. The reserve can be eliminated by losses, realization of capital shares or changes in accounting estimates. The reserve cannot be recognized with a negative amount.

### **Other provisions**

Provisions include expected costs of warranty commitments, losses on work in progress, restructuring, etc. Provisions are recognized when, as a result of a past event, the company has a legal or constructive obligation, and it is probable that settlement of the obligation will result in drawing on the company's financial resources.

Provisions are measured at net realizable value or fair value if settlement of the obligation is expected to be far into the future.

Warranty commitments include obligations to remedy works within the warranty period of 1-5 years. Provisions are measured at net realizable value and recognized based on experience with warranty work.

When it is probable that total expenses will exceed total revenue from contract work in progress, provisions are made for the total expected loss amount on the contract. These provisions are recognized as expenses under production costs.

### **Payables**

Payables are measured at cost, equivalent to nominal value.

### **Tax payable and deferred tax**

Current tax liabilities and tax receivable are measured in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax on taxable for previous years and tax prepaid.

Deferred tax on temporary differences between the tax base of assets and liabilities and their carrying amounts is measured under the balance sheet liability method. Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the balance sheet date, will apply at the time the deferred tax is expected to crystallize as current tax. Changes in deferred tax as a result of changes in tax rates are recognized in the income statement.

### **Cash flow statement**

The cash flow statement is prepared according to the indirect method and shows the net cash flows broken down according to operating, investing and financing activities and the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items and changes in working capital.

## **Accounting policies**

---

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

Cash flows from financing activities comprise raising of loans and repayment of interest bearing debt.

Cash and cash equivalents comprise cash, short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value, with deduction of current payables to credit institutions.