Ullits & Winther

Danrec A/S

Vandværksvej 5, 7470 Karup J

Company reg. no. 16 17 17 00

Annual report

1 January - 31 December 2023

The annual report was submitted and approved by the general meeting on the 3 April 2024.

Detlev Soppert
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of Danrec A/S for the financial year 1 January - 31 December 2023.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Karup, 3 April 2024

Managing Director

Henrik Immerkær Ohm

Board of directors

Peter Adam

Karsten Panow

Detlev Soppert

The independent practitioner's report

To the Shareholder of Danrec A/S

Opinion

We have performed an extended review of the financial statements of Danrec A/S for the financial year 1 January - 31 December 2023, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

Based on the work performed, 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 the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our extended review in accordance with the Danish Business Authority's Assurance Standard for Small Enterprises and FSR – Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 extended review of the Financial Statements

Our responsibility is to express a opinion on the financial statements. This requires that we plan and perform procedures in order to obtain limited assurance for our opinion on the financial statements and in addition perform specifically required supplementary procedures to obtain further assurance for our opinion.

An extended review comprises procedures that primarily consist of making inquiries of Management and others within the Company, as appropriate, analytical procedures and the specifically required supplementary procedures as well as evaluation of the evidence obtained.

The procedures performed in an extended review are less than those performed in an audit, and accordingly, we do not express an audit opinion on the financial statements.

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 opinion thereon.

In connection with our extended review 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 extended review, 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.

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 in the Management's Review.

Viborg, 3 April 2024

Ullits & Winther
State Authorized Public Accounting Firm
Company reg. no. 32 09 32 72

Bo Skårup Sørensen
State Authorised Public Accountant
mne29531

Company information

The company	Danrec A/S Vandværksvej 5 7470 Karup J	
	Company reg. no.	16 17 17 00
	Established:	1 March 1992
	Domicile:	Viborg Municipality
	Financial year:	1 January - 31 December
Board of directors	Peter Adam Karsten Panow Detlev Soppert	
Managing Director	Henrik Immerkær Ohm	
Auditors	Ullits & Winther Statsautoriseret Revisionspartnerselskab Agerlandsvej 1 8800 Viborg	
Parent company	DAW Beteiligungs GmbH	

Management´s review

Description of key activities of the company

Like previous years, the key activity is the treatment of regranulates with output in the shape of finished plates.

Development in activities and financial matters

The profit and loss account covers 1 January to 31 December and shows a result of DKK 3.810.212 against DKK 546.869 last year. The balance sheet shows equity of DKK 18.972.950.

The management finds the result satisfactory.

Accounting policies

The annual report for Danrec A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, write-downs for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories, other operating income, and external costs.

The enterprise will be applying IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets, operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

Other external expenses comprise expenses incurred for sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

Depreciation, amortisation, and write-down for impairment

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down for impairment of intangible and tangible assets, respectively.

Other operating expenses

Other operating expenses comprise items of secondary nature as regards the principal activities of the enterprise, including losses on the disposal of intangible and tangible assets.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, capital gains and losses relating to transactions in foreign currency as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year.

Statement of financial position

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment. Land is not subject to depreciation.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Buildings	30 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Property, plant, and equipment in progress

Property, plant, and equipment in progress are measured and recognised as the total costs incurred. When the work has been completed, the total value is transferred to the relevant item under property, plant, and equipment and is amortised from the date of entry into service.

Leases

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

All leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Prepayments

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Equity

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Liabilities other than provisions

Liabilities are measured at amortised cost which usually corresponds to the nominal value.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2023	2022
	Gross profit	**22.353.047**	**15.408.843**
1	Staff costs	-13.475.965	-11.409.261
	Depreciation and impairment of property, land, and equipment	-3.267.608	-2.638.793
	Other operating expenses	-118.013	0
	Profit before net financials	**5.491.461**	**1.360.789**
	Financial income	89.274	1.252
2	Financial expenses	-797.705	-800.172
	Pre-tax net profit or loss	**4.783.030**	**561.869**
3	Tax on net profit or loss for the year	-972.818	-15.000
	Net profit or loss for the year	**3.810.212**	**546.869**
	Proposed distribution of net profit:		
	Dividend for the financial year	3.810.216	0
	Transferred to retained earnings	0	546.869
	Allocated from retained earnings	-4	0
	Total allocations and transfers	**3.810.212**	**546.869**

Balance sheet at 31 December

All amounts in DKK.

Note	Assets	2023	2022
	Non-current assets		
4	Land and buildings	10.229.462	10.611.112
4	Plant and machinery	18.021.854	18.193.839
4	Other fixtures, fittings, tools and equipment	156.834	155.131
4	Property, plant and equipment in progress and prepayments for property, plant and equipment	743.198	737.037
	Total property, plant, and equipment	29.151.348	29.697.119
	Total non-current assets	**29.151.348**	**29.697.119**
	Current assets		
	Raw materials and consumables	1.615.161	4.210.822
	Manufactured goods and goods for resale	4.711.239	7.568.054
	Total inventories	6.326.400	11.778.876
	Trade receivables	6.937.880	2.758.153
	Income tax receivables	0	750.000
	Other receivables	278.240	52.719
	Prepayments	8.832	0
	Total receivables	7.224.952	3.560.872
	Cash and cash equivalents	4.140.187	3.288.286
	Total current assets	**17.691.539**	**18.628.034**
	Total assets	**46.842.887**	**48.325.153**

Balance sheet at 31 December

All amounts in DKK.

Note	Equity and liabilities	2023	2022
	Equity		
	Contributed capital	500.000	500.000
	Retained earnings	14.662.734	14.662.738
	Proposed dividend for the financial year	3.810.216	0
	Total equity	**18.972.950**	**15.162.738**
	Provisions		
	Provisions for deferred tax	1.809.000	1.193.000
	Total provisions	**1.809.000**	**1.193.000**
	Liabilities other than provisions		
	Payables to group enterprises	22.598.050	28.930.550
5	Total long term liabilities other than provisions	22.598.050	28.930.550
	Trade payables	880.163	711.183
	Payables to group enterprises	591.548	1.224.095
	Income tax payable	110.818	0
	Other payables	1.880.358	1.103.587
	Total short term liabilities other than provisions	3.462.887	3.038.865
	Total liabilities other than provisions	**26.060.937**	**31.969.415**
	Total equity and liabilities	**46.842.887**	**48.325.153**

6 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Proposed dividend for the financial year	Total
Equity 1 January 2022	500.000	14.115.869	6.820.373	21.436.242
Distributed dividend	0	0	-6.820.373	-6.820.373
Retained earnings for the year	0	546.869	0	546.869
Equity 1 January 2023	500.000	14.662.738	0	15.162.738
Retained earnings for the year	0	-4	3.810.216	3.810.212
	500.000	**14.662.734**	**3.810.216**	**18.972.950**

Notes

All amounts in DKK.

		2023	2022
1.	**Staff costs**		
	Salaries and wages	11.969.843	9.972.300
	Pension costs	1.232.284	1.203.236
	Other costs for social security	273.838	233.725
		13.475.965	**11.409.261**
	Average number of employees	26	21
2.	**Financial expenses**		
	Financial costs, group enterprises	784.307	759.424
	Other financial costs	13.398	40.748
		797.705	**800.172**
3.	**Tax on net profit or loss for the year**		
	Tax on net profit or loss for the year	356.818	0
	Adjustment of deferred tax for the year	616.000	15.000
		972.818	**15.000**

Notes

All amounts in DKK.

4. Property, plant, and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Tangible assets under construction and prepayments for tangible assets
Cost opening balance	12.586.571	32.549.754	1.957.743	737.037
Additions	188.199	2.633.455	50.000	2.308.270
Disposals	0	-523.153	0	-2.302.109
Cost end of period	**12.774.770**	**34.660.056**	**2.007.743**	**743.198**
Depreciation and write-down opening balance	1.975.459	14.355.915	1.802.612	0
Amortisation and depreciation for the year	569.849	2.649.462	48.297	0
Reversal of depreciation, amortisation and impairment loss, assets disposed of	0	-367.175	0	0
Depreciation and write-down end of period	**2.545.308**	**16.638.202**	**1.850.909**	**0**
Book value end of period	**10.229.462**	**18.021.854**	**156.834**	**743.198**

5. Long term labilities other than provisions

	Total payables 31 Dec 2023	Current portion of long term payables	Long term payables 31 Dec 2023	Outstanding payables after 5 years
Payables to group enterprises	22.598.050	0	22.598.050	0
	22.598.050	**0**	**22.598.050**	**0**

Notes

All amounts in DKK.

6. Contingencies

Contingent liabilities

The company has entered into operational leases with an average annual lease payment of DKK 213k. The leases have 9-47 months to maturity and total outstanding lease payments total DKK 578k.

The usual guarantee liabilities as to goods and services rest upon the company.