

# Scanmetals A/S

Skibbækparken 7-11, Kirke Stillinge, 4200 Slagelse  
CVR no. 26 80 19 58

## Annual report for 2022

Årsrapporten er godkendt på den  
ordinære generalforsamling, d. 07.06.23

Andreas Færk  
Dirigent



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**The company**

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Scanmetals A/S  
Skibbækparken 7-11, Kirke Stillinge  
4200 Slagelse  
Registered office: Slagelse  
CVR no.: 26 80 19 58  
Financial year: 01.01 - 31.12

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**Executive Boards**

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Ejvind Pedersen  
Andrew John King

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**Board of Directors**

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Andreas Færk, chairman  
Ejvind Pedersen, member  
Stiig Brink Larsen, member  
Carsten Grøhn, member  
Agathe Søndergaard Helle, member  
Henrik Linde Thøgersen, member

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**Auditors**

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Beierholm  
Statsautoriseret Revisionspartnerselskab

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**Subsidiaries**

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Euroscan AB, Sweden  
Scanmetals (UK) Limited, United Kingdom  
Scanmetals Deutschland GmbH, Germany  
Recoin Unipessoal Lda., Portugal  
Scanmetals Iberia Sociedad Limitada, Spain

## Statement by the Executive Boards and Board of Directors on the annual report

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We have on this day presented the annual report for the financial year 01.01.22 - 31.12.22 for Scanmetals A/S.

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

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.22 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.22 - 31.12.22.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Slagelse, June 7, 2023

### Executive Boards

Ejvind Pedersen

Andrew John King

### Board of Directors

Andreas Færk  
Chairman

Ejvind Pedersen

Stiig Brink Larsen

Carsten Grøhn

Agathe Søndergaard Helle

Henrik Linde Thøgersen

**To the Shareholder of Scanmetals A/S****Opinion**

We have audited the consolidated financial statements and parent company financial statements of Scanmetals A/S for the financial year 01.01.22 - 31.12.22, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31.12.22 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.22 - 31.12.22 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing 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 consolidated financial statements and parent company financial statements" section of our report. We are independent of the group and the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Statement regarding the management's review**

Management is responsible for management's review.

Our opinion on the consolidated financial statements and parent company financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and parent company financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

### **Management's responsibility for the consolidated financial statements and parent company financial statements**

The 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. Furthermore the Management is responsible for the internal control as the Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the consolidated financial statements and parent company financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 International Standards on Auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company 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.

Næstved, June 7, 2023

**Beierholm**

Statsautoriseret Revisionspartnerselskab  
CVR no. 32 89 54 68

Rickard Halfdan Patel

State Authorized Public Accountant  
MNE-no. mne33780



**GROUPS FINANCIAL HIGHLIGHTS****Key figures**

Figures in DKK '000	2022	2021	2020	2019	2018
<i>Profit/loss</i>					
Revenue	1,161,712	902,479	469,428	349,975	209,350
Gross profit	215,976	220,059	133,031	102,310	54,356
Profit before depreciation, amortisation, write-downs and impairment losses	133,432	149,474	88,119	67,895	36,655
Operating profit	77,289	94,732	53,905	56,332	30,660
Total net financials	-10,179	-11,262	-9,753	-5,442	-5,860
Profit for the year	45,164	54,763	29,671	41,080	18,544
<i>Balance</i>					
Total assets	709,939	695,047	635,121	301,606	152,977
Investments in property, plant and equipment	48,483	23,563	73,109	106,514	29,113
Equity	194,010	161,204	104,794	96,112	53,651
<i>Cashflow</i>					
Net cash flow:					
Operating activities	80,986	90,240	39,379	69,836	11,312
Investing activities	-48,446	-23,654	-333,676	-102,714	-28,863
Financing activities	-42,554	-37,519	287,873	85,382	9,020
Cash flows for the year	-10,014	29,067	-6,424	52,504	-8,531

**Ratios**

	2022	2021	2020	2019	2018
<i>Profitability</i>					
Return on equity	25%	41%	30%	55%	38%
<i>Equity ratio</i>					
Solvency ratio	27%	23%	17%	32%	35%
<i>Others</i>					
Number of employees (average)	156	134	89	49	27

*Ratios definitions*

Return on equity:	$\frac{\text{Profit/loss for the year}}{\text{Average equity}}$
Solvency ratio:	$\frac{\text{Equity, end of year}}{\text{Total assets}}$

**Primary activities**

Scanmetals extracts non-ferrous metals from post-consumer waste. Metals are cleaned and then sorted into various metal fractions and sold as recycled metal for remelting globally.

Scanmetals A/S is the parent company of the Scanmetals Groups of companies with principal operations in Denmark, Germany and United Kingdom.

**Development in activities and financial affairs**

The income statement for the period 01.01.22 - 31.12.22 shows a profit/loss of DKK 45,164k against DKK 54,763k for the period 01.01.21 - 31.12.21. The balance sheet shows equity of DKK 194,010k.

Key developments during the year involved the expansion of operations in Denmark to include the processing of a wider range of post-consumer waste to recover non-ferrous metals, especially aluminium which can be used in the manufacture of new low carbon aluminium alloys. As part of the company's geographical expansion, a wholly owned subsidiary of Scanmetals A/S has been established in Spain and land acquired for the establishment of a new processing site to recover non-ferrous metals.

Expectations for 2022 were an operating profit after depreciation of DKK 100 - 120 million. The objective was not met primarily due to adverse metal market conditions, higher energy costs and reduced production.

**Outlook**

The company expects an operating profit before depreciation (EBITDA) in the region of DKK 90 - 110 million for the coming year.

**Knowledge resources**

Scanmetals has developed a proprietary process to extract non-ferrous metals from post-consumer metal waste and scrap and is an important contributor to the Circular Economy.

**Financial risks***Price risks*

Previously, the impact of commodity prices changes on the group's results has been limited.

Price fluctuations of raw material are to a large degree matched on a relative basis in metal sales. Any net metal price risk is not hedged.

*Foreign currency risks*

The group is exposed to limited foreign currency risk as the majority of raw material purchases (except UK) and sales transactions are settled in Euro.

Exchange rate adjustments of investments in subsidiaries that are an independent entity are recognized directly in equity.

**Subsequent events**

No important events have occurred after the end of the financial year.

**Corporate social responsibility**

Based on a consideration of the materiality and degree of risk linked to the business model, no special policies have been established for the company's social responsibility.

Management continuously evaluates the extent to which special policies are needed and, however, has a particular focus on the following areas.

At Scanmetals, we take responsibility for our actions and impact on our suppliers, customers, staff, the environment and society in which we operate.

The company has appointed an independent consultant to assist in the formulation of specific and measurable environmental, social and governance targets.

Scanmetals (UK) Limited achieved ISO 9001, 14001 and 45001 accreditation in 2021. On the basis of this work, policies covering the environment, health and safety, human rights, anti-corruption and bribery, and employment are being formulated for the Scanmetals group of companies.

**1. A company with good ethics**

Scanmetals takes its ethical and moral responsibilities seriously and applies them in all business decisions.

In terms of ethical behavior, we have the same expectations of employees, subcontractors and customers.

Scanmetals has zero tolerance of bribery, corruption, fraud and similar misconduct of any kind. Scanmetals will not participate in any cartel or abuse of market dominance, and we have in all parts of the company an appropriate level of transparency in procurement and commercial negotiations.

Scanmetals follows all applicable human rights laws and regulations. We do not tolerate any form of discrimination, harassment or similar conduct in our company.

## 2. Customer satisfaction

It is essential for Scanmetals that our service deliveries comply with our customer agreements and expectations. Trust and partnership are a key part of Scanmetals' culture.

Scanmetals is constantly innovating and improving its processes, products and working methods so that we streamline our product range according to customer needs.

## 3. Employee development and diversity

At Scanmetals, we care about our employees, they are our most important asset. We focus on occupational health and safety and employee development for those who can and want to. All our employees are trained in minimizing occupational injuries through ergonomically appropriate workflows as well as proper of handling dangerous substances.

Our perspective on the diversity of the workforce is that it consists of similarities and differences between employees in terms of gender, age, ethnic and cultural background, religion, physical abilities and disabilities, and sexual orientation.

Scanmetals wishes to promote diversity as a means of increasing the flow of new ideas, perspectives and working methods in the company.

There is no tolerance for bullying and harassment, and we respect and recognize each other as colleagues.

Scanmetals condemns the use of child labour and does not employ any children in any aspect of our business.

## 4. Social responsibility

Scanmetals operates in multiple jurisdictions, and we consider it our responsibility to contribute to the societies in which we operate. Each Scanmetals operation is involved in local initiatives that support the communities in which we operate.

At Scanmetals, we wish to support a comprehensive labour market and facilitate the training and advancement of all our employees irrespective of their personal circumstances and background.

## 5. A sustainable environment

At Scanmetals, we want to reduce our impact on the environment. We endeavour to protect our surroundings from any negative environmental impact which arise as a consequence of our business activities.

The company is currently monitoring its direct carbon emissions with a view to reducing these over time.

Scanmetals complies with all applicable environmental laws and regulations.

### **Business model**

The Group's business model cannot be divided into different business areas, and as a result consists exclusively of handling, sorting and selling of recycled metals.

### **Gender diversity**

#### *Target figures for the supreme management body*

At present, the company has one female board member appointed by the general meeting. The Board of Directors consists of 6 directors representing the company's primary shareholders.

The company is continuously reviewing the representation and make-up of its board of directors.

#### *Other management levels*

At the other company management levels, the gender representation is regarded as balanced and this is expected to be maintained in the future.

### **Data ethics**

Scanmetals has, following advice from the associated GDPR legal counsel, opted out of a data ethics policy, as Scanmetals does not process data or personal data on a large scale or uses new technologies, such as algorithms, machine learning or artificial intelligence in the development and provision of the company's services.

The processing of personal data or data is not part of Scanmetal's business activities or strategy.

In connection with Scanmetal's activities, no personal data or data is processed as only B2B customers are traded with and therefore, as a rule, no personal data or data is processed in a business context.

Scanmetals only processes contact information (name and work email address and / or work telephone number) of a contact person at a B2B customer in connection with the administration or collaboration with the B2B customer. This information is collected from the contact person himself.

In addition to the above, Scanmetals processes personal information about its employees in order to manage the employment relationship. Scanmetals does not make use of algorithms for the processing of this personal data.

## Income statement

Note	Group		Parent		
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000	
1	<b>Revenue</b>	<b>1,161,712</b>	<b>902,479</b>	<b>585,915</b>	<b>398,952</b>
	Change in inventories of finished goods and work in progress	722	32,259	-1,581	14,052
	Other operating income	368	15	3,257	2,906
	Cost of sales	-881,235	-663,112	-458,596	-298,917
	Other external expenses	-65,591	-51,582	-17,655	-13,982
	<b>Gross profit</b>	<b>215,976</b>	<b>220,059</b>	<b>111,340</b>	<b>103,011</b>
2	Staff costs	-82,544	-70,585	-42,854	-36,474
	<b>Profit before depreciation, amortisation, write-downs and impairment losses</b>	<b>133,432</b>	<b>149,474</b>	<b>68,486</b>	<b>66,537</b>
4	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-55,746	-54,742	-17,600	-14,910
	Other operating expenses	-397	0	0	0
	<b>Operating profit</b>	<b>77,289</b>	<b>94,732</b>	<b>50,886</b>	<b>51,627</b>
5	Income from equity investments in group enterprises	0	0	5,846	16,758
6	Income from equity investments in associates	-50	0	-50	0
7	Financial income	802	651	163	781
8	Financial expenses	-10,931	-11,913	-10,390	-10,739
	<b>Profit before tax</b>	<b>67,110</b>	<b>83,470</b>	<b>46,455</b>	<b>58,427</b>
9	Tax on profit for the year	-21,946	-28,707	-9,180	-9,205
	<b>Profit for the year</b>	<b>45,164</b>	<b>54,763</b>	<b>37,275</b>	<b>49,222</b>
<b>Proposed appropriation account</b>					
	Reserve for net revaluation according to the equity method	0	0	-29,811	29,811
	Proposed dividend for the financial year	0	10,000	0	10,000
	Non-controlling interests	7,889	5,541	0	0
	Retained earnings	37,275	39,222	67,086	9,411
	<b>Total</b>	<b>45,164</b>	<b>54,763</b>	<b>37,275</b>	<b>49,222</b>



ASSETS		Group		Parent	
		31.12.22 DKK '000	31.12.21 DKK '000	31.12.22 DKK '000	31.12.21 DKK '000
Note					
	Goodwill	196,482	222,680	0	0
11	<b>Total intangible assets</b>	<b>196,482</b>	<b>222,680</b>	<b>0</b>	<b>0</b>
	Land and buildings	89,003	76,082	83,864	76,082
	Leasehold improvements	12,199	11,991	0	0
	Plant and machinery	125,512	134,526	96,398	93,383
	Other fixtures and fittings, tools and equipment	3,734	3,534	696	804
	Property, plant and equipment under construction	15,082	2,987	0	2,778
12	<b>Total property, plant and equipment</b>	<b>245,530</b>	<b>229,120</b>	<b>180,958</b>	<b>173,047</b>
13	Equity investments in group enterprises	0	0	302,390	326,144
13	Equity investments in associates	450	500	450	500
	<b>Total investments</b>	<b>450</b>	<b>500</b>	<b>302,840</b>	<b>326,644</b>
	<b>Total non-current assets</b>	<b>442,462</b>	<b>452,300</b>	<b>483,798</b>	<b>499,691</b>
	Manufactured goods and goods for resale	81,715	80,993	42,314	43,895
	<b>Total inventories</b>	<b>81,715</b>	<b>80,993</b>	<b>42,314</b>	<b>43,895</b>
	Trade receivables	112,450	82,111	33,809	39,272
	Receivables from group enterprises	0	0	17,347	11,227
	Other receivables	12,005	9,003	4,990	3,108
14	Prepayments	2,144	1,463	1,609	405
	<b>Total receivables</b>	<b>126,599</b>	<b>92,577</b>	<b>57,755</b>	<b>54,012</b>
	<b>Cash</b>	<b>59,163</b>	<b>69,177</b>	<b>6,995</b>	<b>11,181</b>
	<b>Total current assets</b>	<b>267,477</b>	<b>242,747</b>	<b>107,064</b>	<b>109,088</b>
	<b>Total assets</b>	<b>709,939</b>	<b>695,047</b>	<b>590,862</b>	<b>608,779</b>

EQUITY AND LIABILITIES		Group		Parent	
		31.12.22 DKK '000	31.12.21 DKK '000	31.12.22 DKK '000	31.12.21 DKK '000
Note					
15	Share capital	1,300	1,300	1,300	1,300
	Reserve for net revaluation according to the equity method	0	0	0	29,811
	Foreign currency translation reserve	-1,198	440	-1,198	440
	Retained earnings	173,337	136,062	173,337	106,251
	Proposed dividend for the financial year	0	10,000	0	10,000
	<b>Equity attributable to owners of the parent</b>	<b>173,439</b>	<b>147,802</b>	<b>173,439</b>	<b>147,802</b>
16	Non-controlling interests	20,571	13,402	0	0
	<b>Total equity</b>	<b>194,010</b>	<b>161,204</b>	<b>173,439</b>	<b>147,802</b>
17	Provisions for deferred tax	10,613	10,260	7,566	6,233
	<b>Total provisions</b>	<b>10,613</b>	<b>10,260</b>	<b>7,566</b>	<b>6,233</b>
18	Mortgage debt	30,391	28,574	30,391	28,574
18	Payables to other credit institutions	198,037	253,764	192,818	242,802
18	Lease commitments	47,247	55,183	43,289	45,907
	<b>Total long-term payables</b>	<b>275,675</b>	<b>337,521</b>	<b>266,498</b>	<b>317,283</b>
18	Short-term part of long-term payables	79,891	77,756	67,595	60,894
	Payables to other credit institutions	35,320	8,164	35,759	8,164
	Trade payables	83,560	60,748	30,255	26,473
	Payables to group enterprises	0	0	2,370	33,481
	Income taxes	11,467	13,534	4,655	5,232
	Other payables	18,498	24,845	2,725	3,217
	Deferred income	905	1,015	0	0
	<b>Total short-term payables</b>	<b>229,641</b>	<b>186,062</b>	<b>143,359</b>	<b>137,461</b>
	<b>Total payables</b>	<b>505,316</b>	<b>523,583</b>	<b>409,857</b>	<b>454,744</b>
	<b>Total equity and liabilities</b>	<b>709,939</b>	<b>695,047</b>	<b>590,862</b>	<b>608,779</b>
19	Contingent liabilities				
20	Charges and security				
21	Related parties				

## Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Foreign currency translation reserve	Retained earnings	Proposed dividend for the financial year	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Group:								
Statement of changes in equity for 01.01.21 - 31.12.21								
Balance as at 01.01.21	1,300	0	-655	96,840	0	97,485	7,309	104,794
Foreign currency translation adjustment of foreign enterprises	0	0	1,095	0	0	1,095	552	1,647
Net profit/loss for the year	0	0	0	39,222	10,000	49,222	5,541	54,763
Balance as at 31.12.21	1,300	0	440	136,062	10,000	147,802	13,402	161,204
Statement of changes in equity for 01.01.22 - 31.12.22								
Balance as at 01.01.22	1,300	0	440	136,062	10,000	147,802	13,402	161,204
Foreign currency translation adjustment of foreign enterprises	0	0	-1,638	0	0	-1,638	-720	-2,358
Dividend paid	0	0	0	0	-10,000	-10,000	0	-10,000
Net profit/loss for the year	0	0	0	37,275	0	37,275	7,889	45,164
Balance as at 31.12.22	1,300	0	-1,198	173,337	0	173,439	20,571	194,010

## Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Foreign currency translation reserve	Retained earnings	Proposed dividend for the financial year	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Parent:								
Statement of changes in equity for 01.01.21 - 31.12.21								
Balance as at 01.01.21	1,300	0	-655	96,840	0	97,485	0	97,485
Foreign currency translation adjustment of foreign enterprises	0	0	1,095	0	0	1,095	0	1,095
Net profit/loss for the year	0	29,811	0	9,411	10,000	49,222	0	49,222
Balance as at 31.12.21	1,300	29,811	440	106,251	10,000	147,802	0	147,802
Statement of changes in equity for 01.01.22 - 31.12.22								
Balance as at 01.01.22	1,300	29,811	440	106,251	10,000	147,802	0	147,802
Foreign currency translation adjustment of foreign enterprises	0	0	-1,638	0	0	-1,638	0	-1,638
Dividend paid	0	0	0	0	-10,000	-10,000	0	-10,000
Net profit/loss for the year	0	-29,811	0	67,086	0	37,275	0	37,275
Balance as at 31.12.22	1,300	0	-1,198	173,337	0	173,439	0	173,439

## Consolidated cash flow statement

Note	Group	
	2022 DKK '000	2021 DKK '000
	<b>45,164</b>	<b>54,763</b>
22 Adjustments	87,783	93,812
Change in working capital:		
Inventories	-722	-32,259
Receivables	-34,022	-32,548
Trade payables	22,813	24,145
Other payables relating to operating activities	-6,457	9,871
<b>Cash flows from operating activities before net financials</b>	<b>114,559</b>	<b>117,784</b>
Interest income and similar income received	802	650
Interest expenses and similar expenses paid	-10,931	-11,913
Income tax paid	-23,444	-16,281
<b>Cash flows from operating activities</b>	<b>80,986</b>	<b>90,240</b>
Purchase of property, plant and equipment	-48,483	-23,563
Sale of property, plant and equipment	37	409
Purchase of securities and equity investments	0	-500
<b>Cash flows from investing activities</b>	<b>-48,446</b>	<b>-23,654</b>
Dividend paid	-10,000	0
Arrangement of mortgage debt	3,600	0
Repayment of mortgage debt	-1,629	-1,523
Repayment of payables to credit institutions	-24,240	-13,980
Repayment of lease commitments	-10,285	7,559
Repayment of other long-term payables	0	-29,575
<b>Cash flows from financing activities</b>	<b>-42,554</b>	<b>-37,519</b>
<b>Total cash flows for the year</b>	<b>-10,014</b>	<b>29,067</b>
Cash, beginning of year	69,177	46,993
Short-term payables to credit institutions, beginning of year	0	-6,883
<b>Cash, end of year</b>	<b>59,163</b>	<b>69,177</b>
Cash, end of year, comprises:		
Cash	59,163	69,177
<b>Total</b>	<b>59,163</b>	<b>69,177</b>

	Group		Parent	
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000

## 1. Revenue

Information about the distribution of revenue by activities and geographical markets is provided below. The segment information is prepared in accordance with the company's accounting policies and follows the company's internal financial management.

Revenue comprises the following activities:

Recycled metals	1,161,712	902,479	585,915	398,952
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Revenue comprises the following geographical markets:

Revenue, EU	786,485	656,569	285,170	203,800
Revenue, Non-EU	375,227	245,910	300,745	195,152
<b>Total</b>	<b>1,161,712</b>	<b>902,479</b>	<b>585,915</b>	<b>398,952</b>

## 2. Staff costs

Wages and salaries	69,738	59,568	36,163	31,052
Pensions	5,011	4,047	4,202	3,240
Other social security costs	5,566	5,086	746	687
Other staff costs	2,229	1,884	1,743	1,495
<b>Total</b>	<b>82,544</b>	<b>70,585</b>	<b>42,854</b>	<b>36,474</b>

Average number of employees during the year	156	134	68	60
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Remuneration for the management:

Remuneration for the Executive Board and Board of Directors	4,760	2,349	4,760	2,349
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	Group		Parent	
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000

### 3. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	617	551	195	160
Other assurance engagements	50	40	0	0
Tax advice	130	58	0	0
Other services	325	363	90	173
<b>Total</b>	<b>1,122</b>	<b>1,012</b>	<b>285</b>	<b>333</b>

### 4. Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment

Amortisation of intangible assets	26,198	26,198	0	0
Depreciation of property, plant and equipment	29,548	28,544	17,600	14,910
<b>Total</b>	<b>55,746</b>	<b>54,742</b>	<b>17,600</b>	<b>14,910</b>

### 5. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	0	0	32,044	42,956
Amortisation of goodwill	0	0	-26,198	-26,198
<b>Total</b>	<b>0</b>	<b>0</b>	<b>5,846</b>	<b>16,758</b>

### 6. Income from equity investments in associates

Share of profit or loss of associates	-50	0	-50	0
<b>Total</b>	<b>-50</b>	<b>0</b>	<b>-50</b>	<b>0</b>

	Group		Parent	
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000

**7. Financial income**

Interest, group enterprises	0	0	156	190
Other financial income	802	651	7	591
<b>Total</b>	<b>802</b>	<b>651</b>	<b>163</b>	<b>781</b>

**8. Financial expenses**

Other financial expenses total	10,931	11,913	10,390	10,739
<b>Total</b>	<b>10,931</b>	<b>11,913</b>	<b>10,390</b>	<b>10,739</b>

**9. Tax on profit for the year**

Current tax for the year	21,378	26,615	7,849	8,584
Adjustment of deferred tax for the year	568	2,624	1,331	621
Adjustment of tax in respect of previous years	0	-532	0	0
<b>Total</b>	<b>21,946</b>	<b>28,707</b>	<b>9,180</b>	<b>9,205</b>

**10. Proposed appropriation account**

Reserve for net revaluation according to the equity method	0	0	-29,811	29,811
Proposed dividend for the financial year	0	10,000	0	10,000
Non-controlling interests	7,889	5,541	0	0
Retained earnings	37,275	39,222	67,086	9,411
<b>Total</b>	<b>45,164</b>	<b>54,763</b>	<b>37,275</b>	<b>49,222</b>



**11. Intangible assets**

Figures in DKK '000

Goodwill

Group:

Cost as at 01.01.22	261,977
Cost as at 31.12.22	261,977
Amortisation and impairment losses as at 01.01.22	-39,297
Amortisation during the year	-26,198
Amortisation and impairment losses as at 31.12.22	-65,495
Carrying amount as at 31.12.22	196,482

**12. Property, plant and equipment**

Figures in DKK '000	Land and buildings	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Group:					
Cost as at 01.01.22	91,011	13,981	203,764	6,255	2,987
Foreign currency translation adjustment of foreign enterprises	0	-389	-3,100	-104	0
Additions during the year	16,623	1,209	14,516	935	15,200
Disposals during the year	0	0	-828	-69	0
Transfers during the year to/from other items	0	0	2,778	327	-3,105
<b>Cost as at 31.12.22</b>	<b>107,634</b>	<b>14,801</b>	<b>217,130</b>	<b>7,344</b>	<b>15,082</b>
Depreciation and impairment losses as at 01.01.22	-14,930	-1,990	-69,238	-2,721	0
Foreign currency translation adjustment of foreign enterprises	0	55	1,356	75	0
Depreciation during the year	-3,701	-667	-24,150	-1,030	0
Reversal of depreciation of and impairment losses on disposed assets	0	0	414	66	0
<b>Depreciation and impairment losses as at 31.12.22</b>	<b>-18,631</b>	<b>-2,602</b>	<b>-91,618</b>	<b>-3,610</b>	<b>0</b>
<b>Carrying amount as at 31.12.22</b>	<b>89,003</b>	<b>12,199</b>	<b>125,512</b>	<b>3,734</b>	<b>15,082</b>

**12. Property, plant and equipment** - continued -

Figures in DKK '000	Land and buildings	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Parent:					
Cost as at 01.01.22	91,011	0	139,549	1,728	2,778
Additions during the year	11,484	0	13,889	142	0
Disposals during the year	0	0	0	-28	0
Transfers during the year to/from other items	0	0	2,778	0	-2,778
Cost as at 31.12.22	102,495	0	156,216	1,842	0
Depreciation and impairment losses					
as at 01.01.22	-14,930	0	-46,166	-924	0
Depreciation during the year	-3,701	0	-13,652	-247	0
Reversal of depreciation of and impairment losses on disposed assets	0	0	0	25	0
Depreciation and impairment losses as at 31.12.22	-18,631	0	-59,818	-1,146	0
Carrying amount as at 31.12.22	83,864	0	96,398	696	0
Carrying amount of assets held under finance leases					
as at 31.12.22	0	0	79,084	0	0

**13. Equity investments**

Figures in DKK '000	Equity invest- ments in group enterprises	Equity invest- ments in asso- ciates
Group:		
Cost as at 01.01.22	0	500
Cost as at 31.12.22	0	500
Revaluations as at 01.01.22	0	0
Net profit/loss from equity investments	0	-50
Revaluations as at 31.12.22	0	-50
Carrying amount as at 31.12.22	0	450
Parent:		
Cost as at 01.01.22	296,333	500
Foreign currency translation adjustment of foreign enterprises	-1,638	0
Additions during the year	16,664	0
Cost as at 31.12.22	311,359	500
Revaluations as at 01.01.22	29,811	0
Amortisation of goodwill	-26,198	0
Net profit/loss from equity investments	32,044	-50
Dividend relating to equity investments	-44,626	0
Revaluations as at 31.12.22	-8,969	-50
Carrying amount as at 31.12.22	302,390	450

**13. Equity investments** - continued -

Name and registered office:	Ownership interest
Subsidiaries:	
Euroscan AB, Sweden	100%
Scanmetals (UK) Limited, United Kingdom	67%
Scanmetals Deutschland GmbH, Germany	100%
Recoin Unipessoal Lda., Portugal	100%
Scanmetals Iberia Sociedad Limitada, Spain	100%
Associates:	
EIBAR A/S, Aabenraa, Denmark	50%

	Group		Parent	
	31.12.22	31.12.21	31.12.22	31.12.21
	DKK '000	DKK '000	DKK '000	DKK '000
<hr/>				

**14. Prepayments**

Prepaid insurance premiums	627	78	627	78
Other prepayments	1,517	1,385	982	327
Total	2,144	1,463	1,609	405

**15. Share capital**

The share capital consists of:

	Quantity	Total nominal value DKK'000
Share capital	1,300,000	1,300

The company has a warrant programme for senior employees, which allows the employees to subscribe for shares in the company.

The subscription rights allow for the subscription of up to 77,000 shares corresponding to a nominal value of DKK 77,000.

	Group		Parent	
	31.12.22 DKK '000	31.12.21 DKK '000	31.12.22 DKK '000	31.12.21 DKK '000

**16. Non-controlling interests**

Non-controlling interests, beginning of year	13,402	7,309	0	0
Foreign currency translation adjustment of foreign enterprises	-720	552	0	0
Net profit/loss for the year (distribution of net profit)	7,889	5,541	0	0
Total	20,571	13,402	0	0

**17. Deferred tax**

Deferred tax as at 01.01.22	10,259	7,493	6,234	5,613
Deferred tax recognised in the income statement	568	2,624	1,331	621
Deferred tax recognised in equity	-214	142	0	0
Deferred tax as at 31.12.22	10,613	10,259	7,565	6,234

**18. Long-term payables**

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.22	Total payables at 31.12.21
Group:				
Mortgage debt	1,692	23,432	32,083	30,112
Payables to other credit institutions	60,692	0	258,729	310,126
Lease commitments	17,507	0	64,754	75,039
<b>Total</b>	<b>79,891</b>	<b>23,432</b>	<b>355,566</b>	<b>415,277</b>
Parent:				
Mortgage debt	1,692	23,432	32,083	30,112
Payables to other credit institutions	50,135	0	242,953	288,468
Lease commitments	15,768	0	59,057	59,597
<b>Total</b>	<b>67,595</b>	<b>23,432</b>	<b>334,093</b>	<b>378,177</b>

**19. Contingent liabilities**

Group:

*Lease commitments*

The group has concluded lease agreements with total lease payments of DKK 77,166k.

*Recourse guarantee commitments*

The group has provided a guarantee whereby the guarantor assumes primary liability for group enterprises' debt to credit institutions. The guarantee is maximised at DKK 5,200k. The group enterprises' debt to the credit institutions concerned amounts to DKK 4,813k at the balance sheet date.

*Guarantee commitments*

The group has provided guarantees of DKK 2,565k to suppliers and public authorities.

**19. Contingent liabilities** - continued -

Parent:

*Lease commitments*

The company has concluded lease agreements with total lease payments of DKK 188k.

*Recourse guarantee commitments*

The company has provided a guarantee whereby the guarantor assumes primary liability for group enterprises' debt to credit institutions. The guarantee is maximised at DKK 5,200k. The group enterprises' debt to the credit institutions concerned amounts to DKK 4,813k at the balance sheet date.

*Guarantee commitments*

The company has provided guarantees of DKK 2,565k to suppliers and public authorities.

**20. Charges and security**

Group:

Land and buildings with a carrying amount of DKK 77,144k have been provided as security of DKK 35,950 for mortgage debt of DKK 32,083k.

The group has issued mortgage deeds registered to the mortgagor in the total amount of DKK 9,300k secured upon land and buildings with a carrying amount of DKK 68,639k.

The mortgage deeds registered to the mortgagor are provided as security for debt to credit institutions.

The group has provided a company charge of DKK 27,500k as security for debt to credit institutions of DKK 278,712k. As at 31.12.22, the company charge comprises the following assets with the following carrying amounts:

- Goodwill and intellectual property rights, DKK 0k
- Motor vehicles, DKK 0k
- Other plant, fixtures and fittings, tools and equipment, DKK 97,094k
- Inventories, DKK 42,314k
- Trade receivables, DKK 33,809k
- Fuels and other ancillary materials, DKK 0k



**20. Charges and security** - continued -

Parent:

Land and buildings with a carrying amount of DKK 77,144k have been provided as security of DKK 35,950 for mortgage debt of DKK 32,083k.

The company has issued mortgage deeds registered to the mortgagor in the total amount of DKK 9,300k secured upon land and buildings with a carrying amount of DKK 68,639k.

The mortgage deeds registered to the mortgagor are provided as security for debt to credit institutions.

The company has provided a company charge of DKK 27,500k as security for debt to credit institutions of DKK 278,712k. As at 31.12.22, the company charge comprises the following assets with the following carrying amounts:

- Goodwill and intellectual property rights, DKK 0k
- Motor vehicles, DKK 0k
- Other plant, fixtures and fittings, tools and equipment, DKK 97,094k
- Inventories, DKK 42,314k
- Trade receivables, DKK 33,809k
- Fuels and other ancillary materials, DKK 0k

**21. Related parties**

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Remuneration for the management is specified in note 2. Staff costs.

	Group	
	2022 DKK '000	2021 DKK '000
<b>22. Adjustments for the cash flow statement</b>		
Other operating income	-17	0
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	55,745	54,742
Other operating expenses	397	0
Income from equity investments in associates	50	0
Financial income	-802	-650
Financial expenses	10,931	11,913
Tax on profit or loss for the year	21,946	28,708
Other adjustments	-467	-901
<b>Total</b>	<b>87,783</b>	<b>93,812</b>

## 23. Accounting policies

### GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for large groups and enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

### Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

### CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control. Enterprises in which the group holds participating interests, between 20% and 50% of the voting rights and in which it has significant interest but not control, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

**23. Accounting policies** - continued -**Non-controlling interests**

The financial items of the subsidiaries are recognised in full in the consolidated financial statements. The non-controlling interests' proportionate share of the subsidiaries' equity is classified as a part of consolidated equity. The subsidiaries' results are distributed proportionately to non-controlling interests and the parent's equity interest.

Purchase and sale of non-controlling interests in a subsidiary which do not result in changes in control of the subsidiary are treated in the consolidated financial statements as equity transactions, and the difference between the consideration and the carrying amount is allocated to the parent's equity interest.

**CURRENCY**

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of independent foreign entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity under the reserve for net revaluation according to the equity method in respect of investments measured according to the equity method, and otherwise under the foreign currency translation reserve.

Translation adjustments of intercompany balances with independent foreign entities, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity under the foreign currency translation reserve. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

**23. Accounting policies** - continued -**LEASES**

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

**INCOME STATEMENT****Revenue**

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

**Change in inventories of finished goods and work in progress**

Change in inventories of finished goods and work in progress comprises adjustments in inventories of finished goods and work in progress for the year, including write-downs of inventories of finished goods and work in progress to the extent that these do not exceed normal write-downs.

**Other operating income**

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income and gains on the sale of intangible assets and property, plant and equipment.

**Cost of sales**

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

**23. Accounting policies** - continued -**Other external expenses**

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

**Staff costs**

Staff costs comprise wages and salaries as well as other staff-related costs.

**Depreciation, amortisation and impairment losses**

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Goodwill	10	0
Buildings	25	0
Leasehold improvements	10 - 20	0
Plant and machinery	5 - 10	0
Other plant, fixtures and fittings, tools and equipment	2 - 5	0

Goodwill is amortised over 10 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

Land is not depreciated.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

**Other operating expenses**

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and

**23. Accounting policies** - continued -

property, plant and equipment.

**Income from equity investments in group enterprises and associates**

For equity investments in equity investments in associates and in the parent also equity investments in subsidiaries that are measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses. For associates only the proportionate share of intercompany gains and losses is eliminated.

Income from equity investments in equity investments in subsidiaries and associates also comprises gains and losses on the sale of equity investments.

**Other net financials**

Interest income and interest expenses, the interest element of finance lease payments, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Amortisation of capital losses and borrowing costs relating to financial liabilities is recognised on an ongoing basis as financial expenses.

**Tax on profit/loss for the year**

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

**23. Accounting policies** - continued -**BALANCE SHEET****Intangible assets***Goodwill*

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

**Property, plant and equipment**

Property, plant and equipment comprise land and buildings, leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

*Property, plant and equipment under construction*

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

*Gains and losses on the disposal of property, plant and equipment*

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.



**23. Accounting policies** - continued -**Equity investments in group enterprises and associates***Equity investments in group enterprises*

Equity investments in subsidiaries are recognised and measured according to the equity method in the balance sheet of the parent. For equity investments in subsidiaries, the equity method is considered a measurement method, and reference is made to the 'Equity method' section for further details.

*Equity investments in associates*

In the balance sheet, equity investments in associates are recognised and measured according to the equity method. For equity investments in associates, the equity method is considered a measurement method, and reference is made to the 'Equity method' section for further details.

*Equity method*

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments. However, transaction costs on the acquisition of subsidiaries are recognised in the income statement in the consolidated financial statements at the date incurred.

On subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Goodwill recognised under equity investments is amortised according to the straight-line method based on an individual assessment of the useful life of the asset. The useful life of goodwill has been determined at 10 years for equity investments in subsidiaries. The useful life has been determined in consideration of the expected future net earnings of the enterprise to which the goodwill relates.

*Gains or losses on disposal of equity investments*

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

**Impairment losses on fixed assets**

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

**23. Accounting policies** - continued -

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed, unless goodwill is included in the carrying amount of equity investments.

**Inventories**

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material and labour costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

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

**Receivables**

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if

**23. Accounting policies** - continued -

there is no objective evidence of individual impairment of a receivable.

**Prepayments**

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

**Cash**

Cash includes deposits in bank account.

**Equity**

The proposed dividend for the financial year is recognised as a separate item in equity.

The net revaluation of equity investments measured according to the equity method is recognized in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Unrealised foreign currency gains and losses from the translation of the net investment in independent foreign entities are recognised in equity under the foreign currency translation reserve. The reserve is dissolved when the independent foreign entities are disposed of.

**Current and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries

**23. Accounting policies** - continued -

which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

**Payables**

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

**Deferred income**

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

**CASH FLOW STATEMENT**

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables. Cash flows from financing activities also comprise finance lease payments.

Cash and cash equivalents at the beginning and end of the year comprise cash.

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared for the parent as the parent is included in the consolidated cash flow statement.