

Scanmetals A/S

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

Annual report for 2023

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 21.06.24

Andreas Færk
Dirigent

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The company

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

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

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Subsidiaries

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

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for Scanmetals A/S.

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

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 31.12.23 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.23 - 31.12.23.

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 21, 2024

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 financial statements of Scanmetals A/S for the financial year 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including 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 financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the consolidated financial statements and financial statements give a true and fair view of the group's and the company's financial position at 31.12.23 and of the results of the group's and the company's operations and consolidated cash flows for the financial year 01.01.23 - 31.12.23 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 consolidated financial statements and 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 on the management's review

Management is responsible for the management's review.

Our opinion on the consolidated financial statements and 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 consolidated financial statements and financial statements, it is 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 the management's review is in accordance with the consolidated financial statements and financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management's review.

Management's responsibilities for the consolidated financial statements and financial statements

Management is responsible for the preparation of consolidated financial statements and 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 consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and financial statements, management is responsible for assessing the group's and 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 consolidated financial statements and 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 financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and 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 consolidated financial statements and 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 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 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 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 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 financial statements, including the disclosures, and whether the consolidated financial statements and 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 21, 2024

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	2023	2022	2021	2020	2019
<i>Profit/loss</i>					
Revenue	1,094,273	1,161,712	902,479	469,428	349,975
Gross profit	195,140	217,935	220,059	133,031	102,310
Profit before depreciation, amortisation, write-downs and impairment losses	94,557	133,432	149,474	88,119	67,895
Operating profit	37,328	77,289	94,732	53,905	56,332
Total net financials	-18,565	-10,179	-11,262	-9,753	-5,442
Profit/loss for the year	6,618	45,164	54,763	29,671	41,080
<i>Balance</i>					
Total assets	750,218	709,939	695,047	635,121	301,606
Investments in property, plant and equipment	97,550	48,483	23,563	73,109	106,514
Equity	195,933	194,009	161,204	104,794	96,112
<i>Cashflow</i>					
Net cash flow:					
Operating activities	58,379	80,986	90,240	39,379	69,836
Investing activities	-97,414	-48,446	-23,654	-333,676	-102,714
Financing activities	39,697	-42,554	-37,519	287,873	85,382
Cash flows for the year	662	-10,014	29,067	-6,424	52,504

Ratios

	2023	2022	2021	2020	2019
<i>Profitability</i>					
Return on equity	3%	24%	41%	30%	55%
<i>Equity ratio</i>					
Solvency ratio	26%	27%	23%	17%	32%
<i>Others</i>					
Number of employees (average)	171	156	134	89	49

Ratios definitions

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Gross margin:	$\frac{\text{Gross result} \times 100}{\text{Revenue}}$
Solvency ratio:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$

Primary activities

Scanmetals recovers non-ferrous metals from mixed post-consumer waste. The recovered non ferrous metals are cleaned, separated into different fractions, and sold to primary and secondary smelters, refineries, manufacturers of ingots and foundries globally.

Scanmetals A/S is the parent company of the Scanmetals groups of companies ("Scanmetals" or the "company") with principal operations in Denmark, Germany and the United Kingdom.

Development in activities and financial affairs

The income statement for the period 01.01.23 - 31.12.23 shows a profit/loss of DKK 6,618k against DKK 45,164k for the period 01.01.22 - 31.12.22. The balance sheet shows equity of DKK 195,933k.

Key developments during the year included:

- An extensive upgrade of the processing facilities located in Germany where approximately EUR2.4 million was invested in new equipment. This resulted in two months of production shutdown which had a negative relative impact on the year-end result. However, the processing facilities now have significant additional production capacity as well as the ability to recover and produce higher quality end product.
- Installation of additional equipment in Denmark to facilitate the processing of a wider range of mixed scrap metal to recover non-ferrous metals, principally aluminium which can be used in the manufacture of new low carbon aluminium alloys.
- Finalisation of the plant design and start-up of construction of a new processing facility in Zaragoza, Spain.

Expectations for 2023 were an operating profit before depreciation (EBITDA) of DKK 90 - 110 million. The objective was met.

Outlook

The company expects an operating profit before depreciation (EBITDA) in the region of DKK 130 - 140 million for 2024.

Knowledge resources

Scanmetals has developed proprietary processes to extract non-ferrous metals from post-consumer metal scrap and waste, and the company's business model represents an important contribution to the Circular Economy.

Financial risks*Price risks*

The non-ferrous metals recovered are subject to fluctuations in commodity price. However, the lead time to purchasing raw material and the sale of recovered metals is relatively short and the risk of significant individual commodity price movements is limited. The company does not take speculative positions on the future price of its metal end products.

Foreign currency risks

The group is exposed to limited foreign currency risk as most raw material purchases (except UK) and sales transactions are settled in Euro. On a monthly basis the company hedges its foreign exchange risk where possible.

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

Interest rate risks

The company's policy in respect of interest rate and liquidity risk is to maintain a mixture of term finance from its shareholders and banking partners with both fixed and floating interest rates.

Credit risks

Appropriate and regular credit checks are made on all potential customers before any metal sales are undertaken. The company also makes use of credit insurance to mitigate the credit risk of its customers.

Subsequent events

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

Corporate social responsibility

Business model

Scanmetals has operations in Denmark, Germany and the United Kingdom, and a dedicated workforce of approximately 193 employees. The company's primary focus lies in the recycling and treatment of mixed non-ferrous metals sourced from post-consumer waste and metal scrap, reflecting its steadfast commitment to environmental sustainability and resource conservation. As industry leaders in metal recycling, Scanmetals utilises the latest separation technologies to efficiently and effectively recover individual fractions of non-ferrous metals for further use in the production of low carbon alloys and metals that can be then used by various manufacturing industries.

Scanmetals has begun implementing a comprehensive Code of Conduct to govern staff and all persons who act on behalf of Scanmetals, guaranteeing that all the company's activities are conducted ethically, under socially responsible conditions and which prioritize the well-being of both employees and the environment.

Environmental matters

Scanmetals' role in the recycling industry necessitates environmentally sustainable and responsibly managed processes. In recent years, the company has proactively raised awareness about climate-friendly solutions that benefit its operations and conducted assessments of its carbon footprint. These efforts are aimed at implementing long-term strategies to reduce the company's impact on the environment.

To support these initiatives, Scanmetals has implemented a management system, which is based on a mapping of all the company's stakeholder impacts as well as an assessment of the company's risks and opportunities in relation to this. The management system is based on the following ISO standards: ISO 9001 (Quality), ISO 14001 (Environment), and ISO 45001 (Health & Safety) and has been implemented in Denmark and United Kingdom, with plans for Germany to adopt these standards in 2025-2026.

The system is audited annually by external auditors, who assess the company's actual performance in relation to the procedures in the management system and the requirements of the applicable ISO standards. The company set specific goals in 2023 for each standard, including high customer satisfaction ratings in relation to the quality of the metals they purchase, zero accidents and near misses in terms of Health & Safety and no environmental permit breaches. In line with these certifications, the company has also established a framework for its climate goals, which has necessitated a deeper examination of the company's total CO₂ emissions.

In 2023, Scanmetals chose to initiate a long-term collaboration with a leading environmental consultancy to ensure the company meets its Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS) requirements. Extensive data collection and analysis related to the company's material sustainability-related impacts and physical climate related risks has been undertaken.

In addition, data in support of calculating the company's Scope 1, 2, and 3 carbon emissions has been collected and the company's total GHG emission intensity estimated.

Initiatives undertaken during the year to reduce the company's carbon footprint included transitioning some diesel operated mobile equipment to electric, installing solar panels, revising shipment pricing, and sourcing new suppliers for recycling internal resources like work clothes. These actions ensure compliance with CSRD and ESRS standards and allow us to capitalise on opportunities identified in 2023 and for further follow up in 2024.

Energy consumption

Energy consumption is a focal point of the company's efforts to reduce its carbon footprint. Management has directed attention towards energy consumption across various sites, with key initiatives such as reducing the amount of natural gas used in drying operations and the sourcing of a greater proportion of electricity from renewable sources.

These initiatives have led to a 1% increase in total electricity consumption in 2023 (Scope 1 emissions), most of this energy is sourced from renewable sources, representing a 1% reduction in fossil fuel usage (Scope 2 emissions). Moving forward, Scanmetals aims to refine its energy consumption targets, setting more precise goals for fuel, electricity, heat and water consumption.

Fleet Management

Scanmetals management has introduced new guidelines for its vehicle fleet entailing the gradual replacement of diesel with electric vehicles. This process has commenced and will be integrated into future maintenance plans. By the end of 2030, it is planned to phase out all diesel vehicles in favour of electric alternatives.

Reliance on fossil fuels for upstream transportation and distribution, managed through third-party agreements, will depend on future supplier negotiations. Consequently, the company is actively seeking partnerships with freight companies committed to transitioning from diesel to electrically powered vehicles.

Social and employee matters

Occupational safety

In line with the company's commitment to employee safety, Scanmetals prioritises preventing occupational accidents, striving for an annual target of zero incidents. To support this goal, management has implemented near-miss procedures across its different sites to mitigate potential accidents and ensure employee well-being.

Moving forward, Scanmetals will continue to prioritize daily reporting of near misses to further enhance workplace safety across all sites, ensuring that employees can perform their duties with confidence and security.

Respect for human rights

Scanmetals operates globally, necessitating a critical assessment of human rights observance within the countries it operates and does` business with. The company actively monitors its suppliers and customers through ongoing dialogue to ensure compliance with all human rights conventions. See Scanmetals website to review the company's Modern Slavery & Human Trafficking statement:

<https://scanmetals.com/modern-slavery-human-trafficking-statement/>

Scanmetals is committed to fostering a healthy and inclusive working environment and therefore refrains from engaging with external partners whose practices conflict with the company's values.

Scanmetals dedication to ethical conduct extends beyond its business operations to encompass the well-being and inclusivity of all employees. Scanmetals strives to cultivate a workplace culture that values its employees, with dignity for all, and empowering employees to thrive in a supportive environment.

Anti-corruption and bribery matters

Anti-corruption and bribery are paramount concerns for Scanmetals, and the company is committed to upholding the highest standards in all dealings with customers and suppliers alike. The company's values and ethical standards can be found in the Code of Conduct.

Furthermore, the company has implemented a Whistleblower policy for both employees and clients, allowing the reporting of any suspicions regarding the company's activities. To date, the whistleblower scheme has not received any reports of inappropriate behaviour or issues of concern.

For information on the company's Whistleblower policy, please visit the Scanmetals website: <https://whistleportal.co/HYpjq>. This policy allows both employees and clients to report any activities that may compromise the integrity of Scanmetals.

Future Steps for ESG Reporting

As Scanmetals falls under accounting class C, it is classified as a medium-sized company mandated to report on ESG factors, including its climate footprint in 2025. In response, management has proactively initiated business procedures and data collection processes to meet future reporting obligations under ESRS and CSRD standards, well in advance of the comprehensive reporting required for the financial year 2025.

Gender composition of the management

Supreme management body

Scanmetals recognizes the importance of gender diversity at the Board of Director level and wishes to ensure equitable representation and foster contribution from both genders in the management and leadership of the company.

	31.12.23	31.12.22	31.12.21	31.12.20	31.12.19
Number of members	6	*)	*)	*)	*)
Underrepresented sex (%)	17%	*)	*)	*)	*)
Target (%)	33%	*)	*)	*)	*)
Target figures expected to be met in year	2026	*)	*)	*)	*)

*) The table does not contain information for 2022 and earlier, in line with section 99 b(7) of the Danish Financial Statements Act.

Update on meeting targets

The company's Board of Directors currently consists of 1 female board member out of a total of 6 board members.

Significant actions taken during the financial year to achieve the target

The company wishes to have diverse representation on the Board of Directors and has therefore taken the following actions during the year in line with this policy to increase the proportion of female board members:

- Considered candidates from both sexes to stand for board positions.
- Considered several internal initiatives to encourage female candidates to seek to be elected to the board.

Accounting policies

The gender diversity ratio in the supreme management body is calculated as the proportion of female board members on the Board of Directors. It only includes board members elected by the general meeting. Employee representatives are not included.

Other management levels

Other levels of management include the Executive Board, and people with responsibility for personnel who report directly to the Executive Board.

	31.12.23	31.12.22	31.12.21	31.12.20	31.12.19
Number of managers	8	*)	*)	*)	*)
Underrepresented sex (%)	38%	*)	*)	*)	*)

*) The table does not contain information for 2022 and earlier, in line with section 99 b(7) of the Danish Financial Statements Act.

Gender balance

Scanmetals A/S' other levels of management consist of 3 female and 5 male), and the gender distribution is therefore seen as relatively equal. The gender balance is expected to be maintained in future.

The overall gender composition of Scanmetals workforce across all 3 operating sites is 36,8% female and 63.2% male.

Accounting policies

The gender diversity ratio at other management levels is calculated as the proportion of female managers with responsibility for personnel out of the total number of managers with responsibility for personnel at the other management levels.

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 Scanmetals' business activities or strategy.

In connection with Scanmetals' 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 to manage the employment relationship. Scanmetals does not make use of algorithms for the processing of this personal data.

For more information please visit the Scanmetals website: <https://whistleportal.co/HYpiq#privacy-policy>

Income statement

Note	Group		Parent		
	2023 DKK '000	2022 DKK '000	2023 DKK '000	2022 DKK '000	
1	Revenue	1,094,273	1,161,712	515,484	585,915
	Change in inventories of finished goods and work in progress	13,782	722	14,551	-1,581
	Other operating income	1,333	740	1,877	3,628
	Cost of sales	-846,496	-881,235	-437,981	-458,594
	Other external expenses	-67,752	-64,004	-15,155	-16,068
	Gross profit	195,140	217,935	78,776	113,300
2	Staff costs	-100,583	-84,503	-53,162	-44,814
	Profit before depreciation, amortisation, write-downs and impairment losses	94,557	133,432	25,614	68,486
4	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-57,108	-55,746	-20,426	-17,600
	Other operating expenses	-121	-397	0	0
	Operating profit	37,328	77,289	5,188	50,886
5	Income from equity investments in group enterprises	0	0	2,600	5,846
6	Income from equity investments in associates	200	-50	200	-50
7	Financial income	5,903	802	5,954	163
8	Financial expenses	-24,668	-10,931	-21,515	-10,390
	Profit/loss before tax	18,763	67,110	-7,573	46,455
9	Tax on profit or loss for the year	-12,145	-21,946	2,231	-9,180
	Profit/loss for the year	6,618	45,164	-5,342	37,275
Proposed appropriation account					
	Reserve for net revaluation according to the equity method	0	0	0	-29,811
	Non-controlling interests	11,960	7,889	0	0
	Retained earnings	-5,342	37,275	-5,342	67,086
	Total	6,618	45,164	-5,342	37,275

ASSETS		Group		Parent	
		31.12.23 DKK '000	31.12.22 DKK '000	31.12.23 DKK '000	31.12.22 DKK '000
Note					
	Goodwill	170,285	196,483	0	0
11	Total intangible assets	170,285	196,483	0	0
	Land and buildings	99,364	89,003	94,224	83,864
	Leasehold improvements	12,010	12,199	0	0
	Plant and machinery	127,329	125,512	83,865	96,398
	Other fixtures and fittings, tools and equipment	4,212	3,734	533	695
	Property, plant and equipment under construction	69,752	15,082	16,445	0
12	Total property, plant and equipment	312,667	245,530	195,067	180,957
13	Equity investments in group enterprises	0	0	294,593	302,390
13	Equity investments in associates	650	450	650	450
	Total investments	650	450	295,243	302,840
	Total non-current assets	483,602	442,463	490,310	483,797
	Manufactured goods and goods for resale	95,497	81,715	56,865	42,314
	Total inventories	95,497	81,715	56,865	42,314
	Trade receivables	91,359	112,450	28,032	33,809
	Receivables from group enterprises	0	0	53,451	17,347
	Income tax receivable	0	0	3,640	0
	Other receivables	18,313	12,004	5,200	4,989
14	Prepayments	1,622	2,144	944	1,609
	Total receivables	111,294	126,598	91,267	57,754
	Cash	59,825	59,163	7,151	6,995
	Total current assets	266,616	267,476	155,283	107,063
	Total assets	750,218	709,939	645,593	590,860

EQUITY AND LIABILITIES		Group		Parent	
		31.12.23 DKK '000	31.12.22 DKK '000	31.12.23 DKK '000	31.12.22 DKK '000
Note					
15	Share capital	1,322	1,300	1,322	1,300
	Foreign currency translation reserve	-92	-1,198	0	-1,198
	Cash flow hedging reserve	-5,610	0	-5,610	0
	Retained earnings	172,972	173,336	172,880	173,336
	Equity attributable to owners of the parent	168,592	173,438	168,592	173,438
16	Non-controlling interests	27,341	20,571	0	0
	Total equity	195,933	194,009	168,592	173,438
17	Provisions for deferred tax	8,155	10,612	3,750	7,565
	Total provisions	8,155	10,612	3,750	7,565
18	Mortgage debt	31,121	30,391	31,121	30,391
18	Payables to other credit institutions	146,694	198,037	142,835	192,818
18	Lease commitments	44,361	47,247	41,749	43,289
18	Other payables	77,549	0	77,549	0
	Total long-term payables	299,725	275,675	293,254	266,498
18	Short-term part of long-term payables	86,265	79,891	82,554	67,595
	Payables to other credit institutions	45,259	35,320	45,259	35,759
	Trade payables	87,386	83,562	27,030	30,255
	Payables to group enterprises	0	0	12,851	2,370
	Income taxes	1,569	11,467	0	4,655
	Other payables	25,926	19,403	12,303	2,725
	Total short-term payables	246,405	229,643	179,997	143,359
	Total payables	546,130	505,318	473,251	409,857
	Total equity and liabilities	750,218	709,939	645,593	590,860
19	Fair value information				
20	Derivative financial instruments				
21	Contingent liabilities				
22	Charges and security				
23	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	Cash flow hedging 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 01.01.22 - 31.12.22									
Balance as at 01.01.22	1,300	0	440	0	136,061	10,000	147,801	13,402	161,203
Foreign currency translation adjustment of foreign enterprises	0	0	-1,638	0	0	0	-1,638	-720	-2,358
Dividend paid	0	0	0	0	0	-10,000	-10,000	0	-10,000
Net profit/loss for the year	0	0	0	0	37,275	0	37,275	7,889	45,164
Balance as at 31.12.22	1,300	0	-1,198	0	173,336	0	173,438	20,571	194,009
Statement of changes in equity for 01.01.23 - 31.12.23									
Balance as at 01.01.23	1,300	0	-1,198	0	173,336	0	173,438	20,571	194,009
Foreign currency translation adjustment of foreign enterprises	0	0	1,106	0	0	0	1,106	476	1,582
Capital increase	22	0	0	0	4,978	0	5,000	0	5,000
Fair value adjustment of hedging instruments	0	0	0	-7,192	0	0	-7,192	0	-7,192
Dividend paid	0	0	0	0	0	0	0	-5,666	-5,666
Tax on changes in equity	0	0	0	1,582	0	0	1,582	0	1,582
Net profit/loss for the year	0	0	0	0	-5,342	0	-5,342	11,960	6,618
Balance as at 31.12.23	1,322	0	-92	-5,610	172,972	0	168,592	27,341	195,933

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Foreign currency translation reserve	Cash flow hedging 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 01.01.22 - 31.12.22									
Balance as at 01.01.22	1,300	29,811	440	0	106,250	10,000	147,801	0	147,801
Foreign currency translation adjustment of foreign enterprises	0	0	-1,638	0	0	0	-1,638	0	-1,638
Dividend paid	0	0	0	0	0	-10,000	-10,000	0	-10,000
Net profit/loss for the year	0	-29,811	0	0	67,086	0	37,275	0	37,275
Balance as at 31.12.22	1,300	0	-1,198	0	173,336	0	173,438	0	173,438
Statement of changes in equity for 01.01.23 - 31.12.23									
Balance as at 01.01.23	1,300	0	-1,198	0	173,336	0	173,438	0	173,438
Foreign currency translation adjustment of foreign enterprises	0	0	1,106	0	0	0	1,106	0	1,106
Capital increase	22	0	0	0	4,978	0	5,000	0	5,000
Fair value adjustment of hedging instruments	0	0	0	-7,192	0	0	-7,192	0	-7,192
Other changes in equity	0	0	92	0	-92	0	0	0	0
Tax on changes in equity	0	0	0	1,582	0	0	1,582	0	1,582
Net profit/loss for the year	0	0	0	0	-5,342	0	-5,342	0	-5,342
Balance as at 31.12.23	1,322	0	0	-5,610	172,880	0	168,592	0	168,592

Consolidated cash flow statement

Note	Group	
	2023 DKK '000	2022 DKK '000
	6,618	45,164
24	88,835	87,783
Change in working capital:		
Inventories	-13,782	-722
Receivables	15,304	-34,022
Trade payables	3,823	22,813
Other payables relating to operating activities	-669	-6,457
Cash flows from operating activities before net financials	100,129	114,559
Interest income and similar income received	5,903	802
Interest expenses and similar expenses paid	-24,667	-10,931
Income tax paid	-22,986	-23,444
Cash flows from operating activities	58,379	80,986
Purchase of property, plant and equipment	-97,550	-48,483
Sale of property, plant and equipment	136	37
Cash flows from investing activities	-97,414	-48,446
Raising of additional capital	5,000	0
Dividend paid	-5,666	-10,000
Arrangement of mortgage debt	384	3,600
Repayment of mortgage debt	0	-1,629
Repayment of payables to credit institutions	-37,273	-24,240
Repayment of lease commitments	-297	-10,285
Arrangement of other long-term payables	77,549	0
Cash flows from financing activities	39,697	-42,554
Total cash flows for the year	662	-10,014
Cash, beginning of year	59,163	69,177
Cash, end of year	59,825	59,163
Cash, end of year, comprises:		
Cash	59,825	59,163
Total	59,825	59,163

	Group		Parent	
	2023 DKK '000	2022 DKK '000	2023 DKK '000	2022 DKK '000

1. Revenue

Information about the distribution of revenue by 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.

With reference to the exemption-on-prejudice provision in section 96(1) of the Danish Financial Statements Act, the company has omitted to provide further segment information. The reason for the omission is that this information will have a negative effect on the Group's competitiveness.

Revenue comprises the following activities:

Recycled metals	1,094,273	1,161,712	515,484	585,915
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Revenue comprises the following geographical markets:

Revenue, EU	757,160	773,773	301,937	285,170
Revenue, Non-EU	337,113	387,939	213,547	300,745
Total	1,094,273	1,161,712	515,484	585,915

2. Staff costs

Wages and salaries	83,524	72,947	43,844	39,372
Pensions	4,679	3,572	3,441	2,763
Other social security costs	6,776	5,755	1,046	936
Other staff costs	5,604	2,229	4,831	1,743
Total	100,583	84,503	53,162	44,814

Average number of employees during the year	171	156	74	66
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Remuneration for the management:

Remuneration for the Executive Board and Board of Directors	4,807	4,760	4,807	4,760
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	Group		Parent	
	2023 DKK '000	2022 DKK '000	2023 DKK '000	2022 DKK '000

3. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	700	617	218	195
Other assurance engagements	53	50	0	0
Tax advice	323	130	274	0
Other services	170	325	101	90
Total	1,246	1,122	593	285

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	30,910	29,548	20,426	17,600
Total	57,108	55,746	20,426	17,600

5. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	0	0	28,798	32,044
Amortisation of goodwill	0	0	-26,198	-26,198
Total	0	0	2,600	5,846

6. Income from equity investments in associates

Share of profit or loss of associates	200	-50	200	-50
Total	200	-50	200	-50

	Group		Parent	
	2023 DKK '000	2022 DKK '000	2023 DKK '000	2022 DKK '000

7. Financial income

Interest, group enterprises	0	0	70	156
Other financial income	5,903	802	5,884	7
Total	5,903	802	5,954	163

8. Financial expenses

Other financial expenses total	24,668	10,931	21,515	10,390
Total	24,668	10,931	21,515	10,390

9. Tax on profit or loss for the year

Current tax for the year	13,088	21,378	0	7,849
Adjustment of deferred tax for the year	-943	568	-2,231	1,331
Total	12,145	21,946	-2,231	9,180

10. Proposed appropriation account

Reserve for net revaluation according to the equity method	0	0	0	-29,811
Non-controlling interests	11,960	7,889	0	0
Retained earnings	-5,342	37,275	-5,342	67,086
Total	6,618	45,164	-5,342	37,275

11. Intangible assets

Figures in DKK '000	Goodwill
Group:	
Cost as at 01.01.23	261,977
Cost as at 31.12.23	261,977
Amortisation and impairment losses as at 01.01.23	-65,494
Amortisation during the year	-26,198
Amortisation and impairment losses as at 31.12.23	-91,692
Carrying amount as at 31.12.23	170,285

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 01.01.23	107,634	14,800	217,130	7,344	15,082
Foreign currency translation adjustment of foreign enterprises	0	176	1,000	31	0
Additions during the year	14,736	459	20,930	1,532	59,893
Disposals during the year	0	0	-3,379	-333	0
Transfers during the year to/from other items	0	0	5,223	0	-5,223
Cost as at 31.12.23	122,370	15,435	240,904	8,574	69,752
Depreciation and impairment losses as at 01.01.23	-18,631	-2,601	-91,617	-3,610	0
Foreign currency translation adjustment of foreign enterprises	0	-26	-426	-23	0
Depreciation during the year	-4,375	-798	-24,685	-1,052	0
Reversal of depreciation of and impairment losses on disposed assets	0	0	3,153	323	0
Depreciation and impairment losses as at 31.12.23	-23,006	-3,425	-113,575	-4,362	0
Carrying amount as at 31.12.23	99,364	12,010	127,329	4,212	69,752

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 01.01.23	102,495	0	156,216	1,842	0
Additions during the year	14,735	0	3,275	88	16,445
Disposals during the year	0	0	0	-110	0
Cost as at 31.12.23	117,230	0	159,491	1,820	16,445
Depreciation and impairment losses					
as at 01.01.23	-18,631	0	-59,816	-1,146	0
Depreciation during the year	-4,375	0	-15,810	-241	0
Reversal of depreciation of and impairment losses on disposed assets	0	0	0	100	0
Depreciation and impairment losses as at 31.12.23	-23,006	0	-75,626	-1,287	0
Carrying amount as at 31.12.23	94,224	0	83,865	533	16,445
Carrying amount of assets held under finance leases					
as at 31.12.23	0	0	69,498	0	12,704

13. Equity investments

Figures in DKK '000	Equity invest- ments in group enterprises	Equity invest- ments in asso- ciates
Group:		
Cost as at 01.01.23	0	500
Cost as at 31.12.23	0	500
Revaluations as at 01.01.23	0	-50
Net profit/loss from equity investments	0	200
Revaluations as at 31.12.23	0	150
Carrying amount as at 31.12.23	0	650
Parent:		
Cost as at 01.01.23	312,557	500
Foreign currency translation adjustment of foreign enterprises	1,106	0
Cost as at 31.12.23	313,663	500
Revaluations as at 01.01.23	-10,167	-50
Amortisation of goodwill	-26,198	0
Net profit/loss from equity investments	28,798	200
Dividend relating to equity investments	-11,503	0
Revaluations as at 31.12.23	-19,070	150
Carrying amount as at 31.12.23	294,593	650

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	
	31.12.23 DKK '000	31.12.22 DKK '000	31.12.23 DKK '000	31.12.22 DKK '000
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14. Prepayments

Prepaid insurance premiums	441	627	441	627
Other prepayments	1,181	1,517	503	982
Total	1,622	2,144	944	1,609

15. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK'000
Share capital	1,321,667	1,322
Capital increase during the financial year	21,667	22

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 55,333 shares corresponding to a nominal value of DKK 55,333.

	Group		Parent	
	31.12.23 DKK '000	31.12.22 DKK '000	31.12.23 DKK '000	31.12.22 DKK '000
Non-controlling interests, beginning of year	20,571	13,402	0	0
Foreign currency translation adjustment of foreign enterprises	476	-720	0	0
Dividend paid	-5,666	0	0	0
Net profit/loss for the year (distribution of net profit)	11,960	7,889	0	0
Total	27,341	20,571	0	0

16. Non-controlling interests

Non-controlling interests, beginning of year	20,571	13,402	0	0
Foreign currency translation adjustment of foreign enterprises	476	-720	0	0
Dividend paid	-5,666	0	0	0
Net profit/loss for the year (distribution of net profit)	11,960	7,889	0	0
Total	27,341	20,571	0	0

17. Deferred tax

Deferred tax as at 01.01.23	10,612	10,258	7,564	6,233
Deferred tax recognised in the income statement	-943	568	-2,231	1,331
Deferred tax recognised in equity	-1,514	-214	-1,582	0
Deferred tax as at 31.12.23	8,155	10,612	3,751	7,564

18. Long-term payables

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.23	Total payables at 31.12.22
Group:				
Mortgage debt	1,346	25,158	32,467	32,083
Payables to other credit institutions	64,823	0	211,517	258,729
Lease commitments	20,096	0	64,457	64,754
Other payables	0	0	77,549	0
Total	86,265	25,158	385,990	355,566
Parent:				
Mortgage debt	1,346	25,158	32,467	32,083
Payables to other credit institutions	62,635	0	205,470	242,953
Lease commitments	18,573	0	60,322	59,057
Other payables	0	0	77,549	0
Total	82,554	25,158	375,808	334,093

19. Fair value information

Figures in DKK '000	Derivative financial instruments
Group:	
Fair value as at 31.12.23	-7,192
Unrealised changes of fair value recognised in equity for the year	-7,192
Parent:	
Fair value as at 31.12.23	-7,192
Unrealised changes of fair value recognised in equity for the year	-7,192

20. Derivative financial instruments

Group:

The group has entered into two interest rate swaps to hedge future interest payments on a variable-rate mortgage loan. The interest rate swaps have a term of five to ten years for the latest expiry on 31 December 2033. The interest rate swaps are recognised at fair value calculated by the bank, amounting to DKK -7,192k at the balance sheet date. The interest rate swaps have been entered into with a Danish bank as the counterparty.

Parent:

The company has entered into two interest rate swaps to hedge future interest payments on a variable-rate mortgage loan. The interest rate swaps have a term of five to ten years for the latest expiry on 31 December 2033. The interest rate swaps are recognised at fair value calculated by the bank, amounting to DKK -7,192k at the balance sheet date. The interest rate swaps have been entered into with a Danish bank as the counterparty.

21. Contingent liabilities

Group:

Lease commitments

The group has concluded lease agreements with total lease payments of DKK 73,476k.

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 378k at the balance sheet date.

Guarantee commitments

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

21. Contingent liabilities - continued -

Parent:

Lease commitments

The company has concluded lease agreements with total lease payments of DKK 134k.

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 378k at the balance sheet date.

Guarantee commitments

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

22. Charges and security

Group:

Land and buildings with a carrying amount of DKK 87,745k have been provided as security of DKK 32,685k for mortgage debt of DKK 32,467k.

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 67,971k.

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 250,880k. As at 31.12.23, 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 84,396k
- Inventories, DKK 56,865k
- Trade receivables, DKK 28,032k
- Fuels and other ancillary materials, DKK 0k

22. Charges and security - continued -

Parent:

Land and buildings with a carrying amount of DKK 87,745k have been provided as security of DKK 32,685k for mortgage debt of DKK 32,467k.

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 67,971k.

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 250,880k. As at 31.12.23, 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 84,396k
- Inventories, DKK 56,865k
- Trade receivables, DKK 28,032k
- Fuels and other ancillary materials, DKK 0k

23. 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	
	2023 DKK '000	2022 DKK '000
24. Adjustments for the cash flow statement		
Other operating income	-20	-17
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	57,108	55,745
Other operating expenses	121	397
Income from equity investments in associates	-200	50
Financial income	-5,903	-802
Financial expenses	24,667	10,931
Tax on profit or loss for the year	12,145	21,946
Other adjustments	917	-467
Total	88,835	87,783

25. 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.

25. 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.

25. Accounting policies - continued -**DERIVATIVE FINANCIAL INSTRUMENTS**

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

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.

25. Accounting policies - continued -**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.

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:

25. Accounting policies - continued -

	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 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.

25. Accounting policies - continued -**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.

25. 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.

25. 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.

25. 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

25. 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 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.

Unrealised gains and losses on financial instruments classified as and meeting the criteria for hedging of future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. The reserve is measured less deferred tax. The reserve is dissolved when the hedged transaction occurs, or it is no longer expected to occur.

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

25. Accounting policies - continued -

earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries 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 financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

Deferred income**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.