



Marius Pedersen Holding A/S

Ørbækvej 851
5863 Ferritslev Fyn
CVR No. 35846735

Annual report 2022

The Annual General Meeting adopted the
annual report on 31.05.2023

Søren Borregaard
Chairman of the General Meeting

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Entity details

Entity

Marius Pedersen Holding A/S

Ørbækvej 851

5863 Ferritslev Fyn

Business Registration No.: 35846735

Registered office: Faaborg-Midtfyn

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Jens Flesner Kristiansen, Chairman

Jørn Tolstrup Rohde, Vice chairman

Ib Thrane

Birgit Elin Munck-Kampmann

Bjørn Thorsen

Lars Christian Lilleholt

Susanne Thorskov Hansen

Executive Board

Simon Hovgaard Clausen, CEO

Per Madsen, CFO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Tværkajen 5

P. O. Box 10

5100 Odense

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Marius Pedersen Holding A/S for the financial year 01.01.2022 - 31.12.2022.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022.

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

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

Ferritslev, 31.05.2023

Executive Board

Simon Hovgaard Clausen
CEO

Per Madsen
CFO

Board of Directors

Jens Flesner Kristiansen
Chairman

Jørn Tolstrup Rohde
Vice chairman

Ib Thrane

Birgit Elin Munck-Kampmann

Bjørn Thorsen

Lars Christian Lilleholt

Susanne Thorskov Hansen

Independent auditor's report

To the shareholders of Marius Pedersen Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Marius Pedersen Holding A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group 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.

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

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

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Entity 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 the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Entity'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 the parent 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 Entity'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 the parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Odense, 31.05.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Gert Rasmussen

State Authorised Public Accountant
Identification No (MNE) mne35430

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures					
Revenue	4,492,624	3,954,049	3,121,332	2,961,593	2,946,990
Gross profit/loss	760,476	769,177	590,590	497,163	568,116
Operating profit/loss	550,830	573,226	407,832	313,910	396,841
Net financials	(18,198)	(12,961)	(12,604)	(12,963)	(14,801)
Profit/loss for the year	415,894	433,040	303,825	225,294	309,874
Balance sheet total	5,289,765	4,868,201	4,185,329	3,703,816	4,127,975
Equity	2,961,994	2,581,253	2,160,425	1,931,110	2,270,262
Equity excl. minority interests	2,763,708	2,396,048	1,999,270	2,344,140	2,093,263
Investments in tangible assets	778,872	682,139	530,818	421,196	431,314
Average number of employees	5,389	5,082	4,893	4,767	4,719
Ratios					
Operating margin (%)	12.26	14.50	13.07	10.60	13.50
Return on investment (%)	12.28	14.28	11.65	9.55	10.90
Return on equity (%)	16.24	18.27	14.85	11.67	13.60
Equity ratio (%)	55.99	53.02	51.62	52.14	55.00

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Financial highlights are not comparable as 2019-2022 are prepared in accordance with the Danish Financial Statement Act whereas 2018 are prepared in accordance with International Financial reporting (IFRS)

Operating margin (%):

$\frac{\text{Operating profit} * 100}{\text{Revenue}}$

Revenue

Return on investment (%):

$\frac{\text{Operating profit} * 100}{\text{Average operationally assets} * 100}$

Average operationally assets *)

*) Operationally assets are defined as Total assets minus Cash Funds, Interest-bearing assets (including shares) and Investments in associate enterprises

Return on equity (%):

Profit for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

Innovation and entrepreneurship are part of our DNA and have been since 1925. Marius Pedersen was already then focused on recycling and minimising waste of resources – sustainability is deeply rooted in our company history. Waste recycling and the circular economy are essential tools to achieving results and supporting sustainability goals.

We have a clear ambition to be our customers' partner and expert in all aspects of waste management and recycling.

We collect types of waste, solid as liquid waste, from waste producers, and constantly work being in control of as much as possible of the value adding chain of waste – from collecting and treatment of waste to selling secondary resources – with respect of adding value to our customers and our owners.

Group activities include:

- Sorting, treatment and handling recyclable waste at our waste management facilities.
- Trading of recyclable waste in the context of circular economy.
- Services concerning handling of waste and recyclables from the customer to final recycling, recovery or disposal - being consulting, renting of equipment, transport and collection services, sewage and sludge services, waste management reporting and for customer segments within trade, industrial production, service and retail, building and construction, and the public sector and institutions.
- In addition, the Group executes contractor business and furthermore owns companies in Denmark, the Czech Republic and Slovakia, primarily handling waste management and other environmental activities.

Development in activities and finances

Activities

The market for waste management for the Marius Pedersen Group is competitive. The market is grounded on the Waste Management Act from EU and national legislation. New business opportunities arise from changes in waste law and change in the focus or numbers of the market players.

In 2022 Marius Pedersen Group has made the following acquisitions:

- Denmark:
Marius Pedersen A/S acquired 100% of the shares RTR A/S and RTR Kloakservice ApS
- Czech Republic:
Marius Pedersen a.s. acquired 100% of the shares in ODPADY s.r.o.
- Slovakia:
Marius Pedersen a.s. acquired 100% of the shares in TEDOS s.r.o.

Despite the financial impact from COVID-19 and the war in Ukraine revenue and earnings in 2022 have been the second best in the company's history. We have seen turnover growth in all 3 markets (Denmark, Czech Republic and Slovakia), coming from acquisitions and dedicated focus on sales activities in each business line, as well as focus on new services, productivity and efficiency.

The overall impact on earnings from COVID-19 and the war in Ukraine has been limited for the Marius Pedersen Group. Some customers/industries have been impacted negatively, effecting our earnings negatively, but this has been offset by higher activity at other customers/industries.

Development in finances

Profit after tax for the financial year covering the period 1 January 2022 to 31 December 2022 is 415,9 MDKK which is a decrease of 17,1 MDKK compared to 2021. Operating profit is 550,8 MDKK which is 22,4 MDKK lower than 2021. Revenue is 4.492,6 MDKK in 2022 increasing by 538,6 MDKK. Profit for the year is considered very satisfactory. See further comments to the results above under Development in activities.

Profit/loss for the year in relation to expected developments

In the annual report for 2021 we stated an expectation for the year 2022 to be lower than 2021, due to the low visibility and uncertainties coming from the war in Ukraine. As mentioned above the overall impact on earnings has been limited for the Marius Pedersen Group, consequently turnover came out higher than anticipated and earnings in the upper part of the anticipated range.

Uncertainty relating to recognition and measurement

The recognition and measurement of provisions for restorations and monitoring of landfills is subject to estimates and assumptions about future events and therefore subject to uncertainties cf. note 2

Outlook

The outlook for 2023 is subject to uncertainties and impacted by the current high inflation and possible recession in Europe, which has lowered visibility on what to expect in 2023. The Group has experienced low impact so far, but it is yet too early to predict the long-term impact on our different customer segments. We however expect Revenue and Profit for the year to be lower than 2022, i.e. revenue of 3.900-4.100 MDKK and Profit for the year to be around 350-375 MDKK.

Investments in the Group for 2022 has been on a high level and amounts to 778,9 MDKK. We invest heavily in new sorting and processing technology in all three countries. As a major player in waste recycling, we provide the service to waste producers, ensuring that their waste is processed for recycling, and we are also a supplier of raw materials created from recycled waste products to the industrial sector. In 2023 we expect that re- and new investments without acquisitions will remain on a high level and be around 750-775 MDKK.

In the past we have completed several acquisitions in Slovakia, Czech Republic and Denmark. We welcome potential acquisition opportunities in the three countries and within the waste management business of collection and transport activities, sorting of waste activities and processing waste into new resources.

Use of financial instruments

Financial risks and interest risks

The Group has a financial policy which operates with a low risk profile. This means that currency, interest and credit risk only occur based on commercial conditions. The Group's use of derivative financial instruments is regulated by a written policy approved by the board of directors and internal procedures which among others controls the derivative financial instrument that can be used.

Currency risks

The Group's result from group enterprises is dependent on changes in exchange rates (CZK, EUR), since the foreign group enterprises' results and equity at the end of the year are being converted into Danish kroner based on the average rate and the rate of the balance sheet date.

Business risks

The Group's most significant risks are linked to the ability of being strongly positioned on the activity areas on which the Group's services are directed. The Group continuously invests in new equipment and facilities to

secure optimum utilization and efficiency.

Research and development activities

The Group is continuously developing products, service concepts and do research in future business opportunities. These costs have been charged to the profit and loss accounts.

Statutory report on corporate social responsibility

As a leading Danish company in the waste and resource management industry, we see waste as a valuable resource. We continually strive to maximise the amount of recycled waste and minimise the amount of waste incinerated or ending up in a landfill.

Marius Pedersen Group is highly focused on utilising the resources in waste in the context of the circular economy. We advise customers to choose solutions supporting the highest possible degree of waste sorting for recycling, reuse and utilisation and in accordance with applicable environmental regulation.

We have in our CSR report chosen to concentrate on the issues and aspects that are particularly relevant to our industry based on their impact. The issues are described in accordance with section 99a of the Danish Financial Statements Act and cover the activities of Marius Pedersen A/S. It is the intention of the Group, where possible, to include companies in the Czech Republic and Slovakia in the future.

The CSR report is published at:

<https://www.mariuspedersen.dk/om-os/kvalitets-miljoeledelse/csr>

Statutory report on the underrepresented gender

Gender composition in the Top Management Body according to Danish Financial Statements Act § 99b

At any time, the Group aims to have a harmonious and competent management. The composition of management always considers the characteristics and capabilities of each member of the management and how they can positively contribute to the Group.

Top Management Body (Board of Directors)

The Group has a professional board of directors; the board of directors in the two Danish companies Marius Pedersen A/S and Marius Pedersen Holding A/S consist of the same general assembly elected members. In February 2023, a new female board member has been elected and the gender distribution is hereafter 30/70% (female/male) compared to 17/83% last year. With 2 female and 5 male board members as of February 2023 we achieved a balanced composition as per the definitions of the Danish Business Authority. Therefore, we do not have a specific target for change or increase but aim to at least maintain a gender distribution of 30/70% (female/male) in the Top Management Body.

Management group (Executive Board and Top management)

The aim over the next years is to have a gender distribution not lower than 30/70% (female/male) in the Top Management.

At the end of 2022, the gender distribution is 33/67% (female/male) in line with last year.

Other levels of Management

The aim is to have a gender distribution of 25/75% in the Group's management team over the next years.

At the end of 2022, the gender distribution of the management team is 12/88% in line with last year.

We have not yet met all our goals, but there have during 2022 been held a management education program for both female and male talents.

Policy and Action when recruiting for management

Marius Pedersen has a policy supporting a balanced gender composition. The Group's employees should all feel that they have the same opportunities for career and management positions regardless of gender. The employees should feel that the Group has an open and unbiased culture in which the individual can exploit its skills in the best possible way regardless of gender.

At any time the Group aims to have a harmonious and competent management at all levels of the organization therefore occupation of management positions takes into account the candidate's qualifications and competencies relevant to the responsibility. A management position in the organization will always be filled with the best candidate based on an overall assessment. At appointment of management positions, the Group will aim to invite at least one candidate of the underrepresented gender if the candidate has the desired and required qualifications and thereby we expect over time to get a more balanced gender composition.

Statutory report on data ethics policy

We have defined Marius Pedersen's approach to data ethics pursuant to section 99d of the Danish Financial Statements Act.

Our policy for data ethics focus on protecting the users (customers, suppliers, employees etc.) privacy and ensuring that their data is used in a responsible manner. It describes our commitment beyond data privacy laws and lays out our defined principles, also for non-personal data.

The Data Ethics Policy is published at:

<https://www.mariuspedersen.dk/om-os/kvalitets-miljoeledelse/csr>

Events after the balance sheet date

No events have occurred after the balance sheet date which influences the evaluation of this annual report.

Consolidated income statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Revenue	3	4,492,624	3,954,049
Production costs		(3,732,148)	(3,184,872)
Gross profit/loss		760,476	769,177
Distribution costs		(135,664)	(123,127)
Administrative expenses	4	(97,080)	(84,857)
Other operating income	7	23,098	12,033
Operating profit/loss		550,830	573,226
Income from investments in participating interests		6,577	6,641
Other financial income	8	3,134	3,535
Other financial expenses	9	(21,332)	(16,496)
Profit/loss before tax		539,209	566,906
Tax on profit/loss for the year	10	(123,315)	(133,866)
Profit/loss for the year	11	415,894	433,040

Consolidated balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Acquired licences		17,199	22,394
Goodwill		916,327	975,236
Development projects in progress	13	5,317	3,012
Intangible assets	12	938,843	1,000,642
Land and buildings		1,012,923	906,292
Plant and machinery		1,620,412	1,501,652
Other fixtures and fittings, tools and equipment		39,817	37,370
Property, plant and equipment in progress		254,150	108,993
Property, plant and equipment	14	2,927,302	2,554,307
Investments in participating interests		16,460	12,962
Other investments		1,028	903
Deposits		393,656	344,294
Deferred tax	16	65,454	60,146
Financial assets	15	476,598	418,305
Non-current assets		4,342,743	3,973,254
Raw materials and consumables		35,310	27,164
Manufactured goods and goods for resale		12,782	9,839
Inventories		48,092	37,003
Trade receivables	17	740,285	633,093
Contract work in progress	18	8,735	4,845
Other receivables	19	32,482	23,415
Tax receivable		25,664	7,172
Prepayments	20	11,241	4,838
Receivables		818,407	673,363
Cash		80,523	184,581

Current assets	947,022	894,947
<hr/>		
Assets	5,289,765	4,868,201
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Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital	21	100,000	100,000
Translation reserve		83,812	57,313
Retained earnings		2,549,896	2,198,735
Proposed dividend for the financial year		30,000	40,000
Equity belonging to Parent's shareholders		2,763,708	2,396,048
Equity belonging to minority interests		198,286	185,205
Equity		2,961,994	2,581,253
Deferred tax	16	94,384	78,379
Other provisions	22	598,962	563,673
Provisions		693,346	642,052
Bank loans		9,185	10,668
Lease liabilities		60,366	80,813
Trade payables		8,108	5,207
Other payables		2,119	31,350
Non-current liabilities other than provisions	23	79,778	128,038
Current portion of non-current liabilities other than provisions	23	22,435	136,195
Other provisions	24	54,520	37,503
Bank loans		771,763	739,939
Contract work in progress	18	11,013	1,443
Trade payables		326,618	282,491
Payables to group enterprises		46,433	19,887
Tax payable		4,597	29,324
Other payables	25	317,268	270,076
Current liabilities other than provisions		1,554,647	1,516,858
Liabilities other than provisions		1,634,425	1,644,896
Equity and liabilities		5,289,765	4,868,201
Events after the balance sheet date	1		
Uncertainty relating to recognition and measurement	2		
Staff costs	5		
Amortisation, depreciation and impairment losses	6		

Unrecognised rental and lease commitments	27
Contingent liabilities	28
Assets charged and collateral	29
Transactions with related parties	30
Group relations	31
Subsidiaries	32

Consolidated statement of changes in equity for 2022

	Contributed capital DKK'000	Translation reserve DKK'000	Retained earnings DKK'000	Proposed dividend for the financial year DKK'000	Equity belonging to Parent's shareholders DKK'000	Equity belonging to minority interests DKK'000	Total DKK'000
Equity beginning of year	100,000	57,313	2,198,735	40,000	2,396,048	185,205	2,581,253
Changes in accounting policies	0	0	8,303	0	8,303	0	8,303
Adjusted equity, beginning of year	100,000	57,313	2,207,038	40,000	2,404,351	185,205	2,589,556
Ordinary dividend paid	0	0	0	(40,000)	(40,000)	(35,936)	(75,936)
Exchange rate adjustments	0	26,499	0	0	26,499	5,418	31,917
Other entries on equity	0	0	1,712	0	1,712	429	2,141
Tax of entries on equity	0	0	(1,578)	0	(1,578)	0	(1,578)
Profit/loss for the year	0	0	342,724	30,000	372,724	43,170	415,894
Equity end of year	100,000	83,812	2,549,896	30,000	2,763,708	198,286	2,961,994

Consolidated cash flow statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Operating profit/loss		550,830	573,226
Amortisation, depreciation and impairment losses		541,861	485,140
Working capital changes	26	(128,858)	(107,521)
Loss or gain on disposal of assets		(13,599)	(19,650)
Increase/decrease in provisions		70,428	66,625
Income from investments in participating interests		3,147	6,641
Impairment losses (reversal) on receivables		1,709	1,160
Cash flow from ordinary operating activities		1,025,518	1,005,621
Financial income received		96	1,730
Financial expenses paid		(17,323)	(12,213)
Taxes refunded/(paid)		(159,786)	(129,577)
Cash flows from operating activities		848,505	865,561
Acquisition etc. of property, plant and equipment		(778,872)	(682,139)
Sale of property, plant and equipment		28,872	40,794
Acquisition of fixed asset investments		(39,393)	(211,999)
Financial investments		(1,113)	(3,974)
Cash flows from investing activities		(790,506)	(857,318)
Free cash flows generated from operations and investments before financing		57,999	8,243
Loans raised		75,212	238,824
Repayments of loans etc.		(136,195)	(131,589)
Dividend paid		(40,000)	(30,000)
Dividends paid to non-controlling interests		(35,936)	(26,506)
Decrease / increase in liabilities from financing activities		(23,137)	(10,850)
Cash flows from financing activities		(160,056)	39,879
Increase/decrease in cash and cash equivalents		(102,057)	48,122
Cash and cash equivalents beginning of year		184,581	140,776

Currency translation adjustments of cash and cash equivalents	(2,001)	(4,317)
Cash and cash equivalents end of year	80,523	184,581

Cash and cash equivalents at year-end are composed of:

Cash	80,523	184,581
Cash and cash equivalents end of year	80,523	184,581

Notes to consolidated financial statements

1 Events after the balance sheet date

No events have occurred after the balance sheet date which influences the evaluation of this annual report.

2 Uncertainty relating to recognition and measurement

The statement of the carrying amount of certain liabilities requires estimates, estimates and assumptions about future events. The estimates made are based on historical experience and other factors that management deems sound in the circumstances, but which are inherently subject to uncertainty. Assumptions may be incomplete and inaccurate, and unexpected events or circumstances may occur.

The recognition and measurement of provisions for expected future costs of restoration and monitoring of landfills is subject to significant uncertainties, particularly with regard to the time perspective.

It is management's assessment that the total restoration and monitoring costs amount to 653,482 DKK'000 which are included as long-term and short-term commitments respectively.

3 Revenue

	2022 DKK'000	2021 DKK'000
Denmark	1,867,734	1,594,566
Rest of EU	2,623,490	2,358,666
Rest of the world	1,400	817
Total revenue by geographical market	4,492,624	3,954,049
Household collection	837,210	746,703
Commercial collection	2,054,504	1,723,481
Winther and road cleaning	131,902	134,051
Sale of secondary raw materials	762,510	731,477
Landfill	240,230	215,993
Rental	197,131	167,844
Services	125,982	111,003
Other	143,155	123,497
Total revenue by activity	4,492,624	3,954,049

4 Fees to the auditor appointed by the Annual General Meeting

	2022	2021
	DKK'000	DKK'000
Statutory audit services	2,672	2,286
Tax services	96	125
Other services	267	173
	3,035	2,584

5 Staff costs

	2022	2021
	DKK'000	DKK'000
Wages and salaries	1,152,167	1,007,264
Pension costs	55,236	48,195
Other social security costs	198,618	171,848
	1,406,021	1,227,307
Average number of full-time employees	5,389	5,082

	Remuneration	Remuneration
	of Manage-	of Manage-
	ment	ment
	2022	2021
	DKK'000	DKK'000
Executive Board	7,565	6,540
Board of Directors	2,434	2,400
	9,999	8,940

6 Depreciation, amortisation and impairment losses

	2022	2021
	DKK'000	DKK'000
Amortisation of intangible assets	92,513	94,622
Depreciation on property, plant and equipment	449,348	390,518
Profit/loss from sale of intangible assets and property, plant and equipment	(13,599)	(19,650)
	528,262	465,490

7 Other operating income

Other operating income consist of rent income and reverse of provision for deferred payment regarding acquisitions i prior year.

8 Other financial income

	2022	2021
	DKK'000	DKK'000
Exchange rate adjustments	1,920	1,522
Other financial income	1,214	2,013
	3,134	3,535

9 Other financial expenses

	2022	2021
	DKK'000	DKK'000
Financial expenses from participating interests	656	210
Other interest expenses	15,385	10,968
Exchange rate adjustments	5,291	5,318
	21,332	16,496

10 Tax on profit/loss for the year

	2022	2021
	DKK'000	DKK'000
Current tax	113,482	124,079
Change in deferred tax	7,382	8,971
Adjustment concerning previous years	2,451	816
	123,315	133,866

11 Proposed distribution of profit/loss

	2022	2021
	DKK'000	DKK'000
Ordinary dividend for the financial year	30,000	40,000
Retained earnings	342,724	350,033
Minority interests' share of profit/loss	43,170	43,007
	415,894	433,040

12 Intangible assets

	Acquired licences DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	98,755	1,827,741	3,012
Addition through business combinations etc	0	19,005	0
Exchange rate adjustments	2,015	10,724	(1)
Transfers	149	300	(149)
Additions	3,532	3,329	2,455
Disposals	(9)	0	0
Cost end of year	104,442	1,861,099	5,317
Amortisation and impairment losses beginning of year	(76,361)	(852,506)	0
Addition through business combinations etc	(15)	0	0
Exchange rate adjustments	(1,684)	(8,945)	0
Amortisation for the year	(9,192)	(83,321)	0
Reversal regarding disposals	9	0	0
Amortisation and impairment losses end of year	(87,243)	(944,772)	0
Carrying amount end of year	17,199	916,327	5,317

Goodwill

Based on expected future net cash flow, management believes that the recoverable amount of goodwill exceed the carrying amount. The estimate is based on the results achieved and the expected level of future earnings. The recoverable amount is based on the value in use determined by means of expected net cash flow on the basis of approved budgets for 2023 and forecasts for 2024-2027 for each generating units (Denmark, Czech Republic and Slovakia) There have for each cash generating unit been used a growth rate 1% and a pre-tax discount rate of 8%, which takes into account the specific risks characterising the actual markets.

13 Development projects

Developments projects consist of IT cost to new systems.

14 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	2,113,020	4,265,891	137,280	109,738
Changes in accounting policies	10,544	0	0	0
Addition through business combinations etc	221	38,042	14	0
Exchange rate adjustments	36,689	51,367	2,804	1,413
Transfers	9,950	44,368	11,734	(66,352)
Additions	129,816	415,445	13,857	210,433
Disposals	(569)	(155,854)	(6,194)	(313)
Cost end of year	2,299,671	4,659,259	159,495	254,919
Depreciation and impairment losses beginning of year	(1,206,728)	(2,764,239)	(99,910)	(745)
Changes in accounting policies	(2,241)	0	0	0
Addition through business combinations etc	(18)	(6,873)	(10)	0
Exchange rate adjustments	(21,672)	(36,847)	(1,901)	(24)
Transfers	9,769	0	(9,769)	0
Depreciation for the year	(66,578)	(369,156)	(13,614)	0
Reversal regarding disposals	720	138,268	5,526	0
Depreciation and impairment losses end of year	(1,286,748)	(3,038,847)	(119,678)	(769)
Carrying amount end of year	1,012,923	1,620,412	39,817	254,150
Recognised assets not owned by Entity	0	84,117	26	0

15 Financial assets

	Investments in participating interests DKK'000	Other investments DKK'000	Deposits DKK'000
Cost beginning of year	922	681	344,294
Addition through business combinations etc	0	125	0
Exchange rate adjustments	1	0	10,248
Additions	54	0	55,372
Disposals	0	0	(16,258)
Cost end of year	977	806	393,656
Revaluations beginning of year	12,040	222	0
Exchange rate adjustments	(2)	0	0
Share of profit/loss for the year	6,577	0	0
Dividend	(3,132)	0	0
Revaluations end of year	15,483	222	0
Carrying amount end of year	16,460	1,028	393,656

Deposits comprise cash on escrow accounts mostly with maturities of one year and longer. The use of these cash balances are limited by waste management legislation in Czech Republic and Slovakia mainly to payment for restoration and monitoring of landfills.

Investments in participating interests	Registered in	Ownership %	Equity DKK'000	Profit/loss DKK'000
KOMPLEX-odpadová společnost s.r.o	Pusté Sady	60.00	27,344	10,953
Čistá Plzeň servis s.r.o.	Plzeň	15.00	366	0

16 Deferred tax

	2022 DKK'000	2021 DKK'000
Changes during the year		
Beginning of year	(18,233)	(2,268)
Recognised in the income statement	(7,375)	(8,972)
Recognised directly in equity	(1,578)	976
Exchange rate adjustments	1,580	2,385
Business combination	(2,073)	(9,413)
Opening balance adjustments	(1,251)	(941)
End of year	(28,930)	(18,233)

	2022	2021
Deferred tax has been recognised in the balance sheet as follows	DKK'000	DKK'000
Deferred tax assets	65,454	60,146
Deferred tax liabilities	(94,384)	(78,379)
	(28,930)	(18,233)

Deferred tax relates to intangible assets, property, plant and equipment, inventories and other provisions.

Deferred tax assets

Deferred tax assets relates mainly to provision for restoration and monitoring of landfills with a long time horizon. Deferred tax is a result of differences between carrying values and tax values.

17 Trade receivables

No receivables due more than 1 year.

18 Contract work in progress

	2022	2021
	DKK'000	DKK'000
Contract work in progress	66,026	56,360
Progress billings	(68,304)	(52,958)
Transferred to liabilities other than provisions	11,013	1,443
	8,735	4,845

19 Other receivables

Other receivables consists of 3,713 DKK'000 due more than 1 year (0 DKK'000 in 2021)

20 Prepayments

Consists of prepayment insurance, rent etc.

21 Contributed capital

	Number	Nominal value DKK'000
A-shares	100,000,000	100,000
	100,000,000	100,000

22 Other provisions

Provisions for restoration and monitoring of landfills.

	2022 DKK'000	2021 DKK'000
Carrying amount at the beginning of the year	601,176	557,970
Exchange rate adjustments	17,303	24,755
Additional provisions made in the period, including increase in the existing provisions	73,454	65,474
Amounts used during the period	-38,451	-47,023
Carrying amount at the end of the year	653,482	601,176
Other provisions non current	598,962	563,673
Other provisions current	54,520	37,503

23 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK'000	Due within 12 months 2021 DKK'000	Due after more than 12 months 2022 DKK'000	Outstanding after 5 years 2022 DKK'000
Bank loans	22,435	113,277	9,185	5,822
Lease liabilities	0	22,918	60,366	16,236
Trade payables	0	0	8,108	2,038
Other payables	0	0	2,119	0
	22,435	136,195	79,778	24,096

24 Other provisions

Provisions for restoration and monitoring of landfills.

25 Other payables

	2022 DKK'000	2021 DKK'000
VAT and duties	80,166	68,062
Wages and salaries, personal income taxes, social security costs, etc. payable	137,850	133,539
Other costs payable	99,252	68,475
	317,268	270,076

26 Changes in working capital

	2022 DKK'000	2021 DKK'000
Increase/decrease in inventories	(10,886)	(5,878)
Increase/decrease in receivables	(117,149)	(73,154)
Increase/decrease in trade payables etc.	48,539	1,254
Other changes	(49,362)	(29,743)
	(128,858)	(107,521)

27 Unrecognised rental and lease commitments

	2022 DKK'000	2021 DKK'000
Total liabilities under rental or lease agreements until maturity	51,274	54,434

28 Contingent liabilities

	2022	2020
DKK'000		
Recourse obligations concerning contract guarantees etc.	150,398	91,083

The Group holds properties on rented premises. According to individual lease agreement, the group is obliged to hand over the leasehold in the same condition as it was taken over.

29 Assets charged and collateral

The carrying amount of mortgaged properties is DKK'000 35,036 and the value of mortgage deed, not pledged as security is DKK'000 16,250

30 Transactions with related parties

	Parent DKK'000
Management fee	240
Interest cost	656
Dividend paid	40,000
Liabilities other than provisions	46,433

31 Group relations

Name and registered office of the Ultimate Parent preparing consolidated financial statements for the largest group:

Entreprenør Marius Pedersens Fond, Ørbækvej 851, 5863 Ferritslev Fyn, CVR 11 59 41 74

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Marius Pedersen Holding A/S, Ørbækvej 851, 5863 Ferritslev Fyn, CVR 35 84 67 35

32 Subsidiaries

	Registered in	Corporate form	Ownership %
Denmark			
Kildehøj A/S (owner: Entreprenør Marius Pedersens Fond)	Faaborg-Midtfyn	A/S	98.80
Marius Pedersen A/S	Faaborg-Midtfyn	A/S	100.00
Odense Affaldssortering A/S	Odense	A/S	50.20
FKSSlamson A/S	Odense	A/S	100.00

	Registered in	Corporate form	Ownership %
Czech Republic			
Bohemian Waste Management a.s.	Hradec Králové	a.s.	60.00
DESTRA Co., spol. s r.o.	Brno	s.r.o.	70.00
EKO - Chlebičov a.s.	Chlebičov	a.s.	77.20
EKO servis Varnsdorf a.s.	Varnsdorf	a.s.	55.00
EKOLA České Libchavy s.r.o.	České Libchavy	s.r.o.	74.10
ELIO Slezsko a.s.	Holasovice	a.s.	55.00
HRATES, a.s.	Uherské Hradiště	a.s.	66.00
Hradecké služby a.s.	Hradec Králové	a.s.	60.00
Ipodec Ciste Mesto a.s.	Praha	a.s.	57.00
Krušnohorské služby a.s.	Ústí n.Labem	a.s.	51.00
Marius Pedersen a.s.	Hradec Králové	a.s.	100.00
Marius Pedersen Recycling a.s.	Hradec Králové	a.s.	50.00
Moravska skladkova spolecnost a.s.	Otrokovice	a.s.	60.00
MP suroviny s.r.o.	Hradec Králové	s.r.o.	100.00
Nykos a.s.	Ždánice	a.s.	85.70
Odpady-Třídění-Recyklace a.s.	Uherské Hradiště	a.s.	60.00
Papkov s.r.o.	Praha	s.r.o.	80.00
Růžov a.s.	Borovany	a.s.	52.00
RWC s.r.o.	Chropyně	s.r.o.	70.00
Severočeské komunální služby s.r.o.	Jablonec nad Nisou	s.r.o.	65.00
Skládka Tušimice a.s.	Teplice	a.s.	98.00
SOMA Markvartovice a.s.	Hlučín	a.s.	58.00
SOP a.s.	Přelouč	a.s.	60.00
Společnost Horní Labe a.s.	Trutnov	a.s.	60.00
Technické služby Děčín a.s.	Děčín	a.s.	96.90
TRANSPORT Trutnov s.r.o.	Trutnov	s.r.o.	60.00
TS Valašské Meziříčí s.r.o.	Valašské Meziříčí	s.r.o.	74.90
Západočeské komunální služby a.s.	Plzeň	a.s.	98.00
PERLIT PRAHA, spol. s.r.o.	Praha	s.r.o.	100.00
ODPADY s.r.o.	Hradec Králové	s.r.o.	80.00

	Registered in	Corporate form	Ownership %
Slovakia			
Spoločnosť Stredné Považie, a.s	Trenčín	a.s.	70.00
Spoločnosť Pohronie, a.s.	Zvolen	a.s.	60.00
Spoločnosť Šariš, a.s	Sabinov	a.s.	88.00
Kopaničiarska odpadová spoločnosť, s.r.o.	Kostolné, Rakovice	s.r.o.	83.00
BORINA EKOS, s.r.o.	Livinské Opatovce	s.r.o.	88.00
Tatranská odpadová spoločnosť s.r.o, Žakovce	Žakovce	s.r.o.	64.00
Tekovská ekologická, s.r.o.	Nový Tekov	s.r.o.	86.00
Bzenex BMP, s.r.o.	Bzenica	s.r.o.	70.00
Waste transport, a.s.	Bratislava	a.s.	100.00
PETMAS spol. s r.o.	Pezinok	s.r.o.	100.00
ICEKO-ONYX, s.r.o.	Banská Bystrica	s.r.o.	100.00
Marius Pedersen, a.s.	Trenčín	a.s.	100.00
KANAL M.P.S. s.r.o.	Senec	s.r.o.	100.00
MEGAWASTE Podstránie s.r.o.	Považská Bystrica	s.r.o.	100.00
MEGAWASTE SLOVAKIA s.r.o.	Považská Bystrica	s.r.o.	100.00
TEDOS s.r.o.	Bánovce nad Bebravou	s.r.o.	100.00

Parent income statement for 2022

		2022	2021
	Notes	DKK'000	DKK'000
Administrative expenses		(14,900)	(13,624)
Other operating income		4,000	4,000
Operating profit/loss		(10,900)	(9,624)
Income from investments in group enterprises		383,098	401,775
Other financial expenses	3	(1,469)	(2,496)
Profit/loss before tax		370,729	389,655
Tax on profit/loss for the year	4	2,049	1,292
Profit/loss for the year	5	372,778	390,947

Parent balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Investments in group enterprises		2,734,853	2,486,818
Financial assets	6	2,734,853	2,486,818
Fixed assets		2,734,853	2,486,818
Receivables from group enterprises		19,050	0
Deferred tax	7	2,162	3,323
Other receivables		0	1
Tax receivable		53,273	44,958
Receivables		74,485	48,282
Cash		447	2
Current assets		74,932	48,284
Assets		2,809,785	2,535,102

Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital		100,000	100,000
Translation reserve		1,700	1,700
Retained earnings		2,629,791	2,252,076
Proposed dividend for the financial year		30,000	40,000
Equity		2,761,491	2,393,776
Bank loans		5	111,886
Payables to group enterprises		42,449	22,701
Other payables	8	5,840	6,739
Current liabilities other than provisions		48,294	141,326
Liabilities other than provisions		48,294	141,326
Equity and liabilities		2,809,785	2,535,102
Events after the balance sheet date	1		
Staff costs	2		
Contingent liabilities	9		
Assets charged and collateral	10		
Related parties with controlling interest	11		
Transactions with related parties	12		

Parent statement of changes in equity for 2022

	Contributed capital DKK'000	Translation reserve DKK'000	Retained earnings DKK'000	Proposed dividend for the year DKK'000	Total DKK'000
Equity beginning of year	100,000	1,700	2,252,076	40,000	2,393,776
Ordinary dividend paid	0	0	0	(40,000)	(40,000)
Exchange rate adjustments	0	0	34,937	0	34,937
Profit/loss for the year	0	0	342,778	30,000	372,778
Equity end of year	100,000	1,700	2,629,791	30,000	2,761,491

Notes to parent financial statements

1 Events after the balance sheet date

No events have occurred after the balance sheet date which influences the evaluation of this annual report.

2 Staff costs

	2022 DKK'000	2021 DKK'000
Wages and salaries	11,182	14,854
	11,182	14,854
Average number of full-time employees	4	4

	Remuneration of Manage- ment 2022 DKK'000	Remuneration of Manage- ment 2021 DKK'000
Executive Board	7,565	6,540
Board of Directors	1,925	1,900
	9,490	8,440

3 Other financial expenses

	2022 DKK'000	2021 DKK'000
Financial expenses from group enterprises	625	179
Other interest expenses	844	2,317
	1,469	2,496

4 Tax on profit/loss for the year

	2022 DKK'000	2021 DKK'000
Change in deferred tax	(2,162)	(2,347)
Adjustment concerning previous years	113	1,055
	(2,049)	(1,292)

5 Proposed distribution of profit and loss

	2022 DKK'000	2021 DKK'000
Ordinary dividend for the financial year	30,000	40,000
Retained earnings	342,778	350,947
	372,778	390,947

6 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	2,758,783
Cost end of year	2,758,783
Revaluations beginning of year	(271,965)
Exchange rate adjustments	34,937
Amortisation of goodwill	(47,335)
Share of profit/loss for the year	430,433
Dividend	(170,000)
Revaluations end of year	(23,930)
Carrying amount end of year	2,734,853

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

7 Deferred tax

	2022 DKK'000	2021 DKK'000
Changes during the year		
Beginning of year	3,323	1,802
Recognised in the income statement	(2,162)	2,347
Recognised directly in equity	0	976
Other changes	1,001	(1,802)
End of year	2,162	3,323

Deferred tax assets

The deferred tax assets is expected to be used in the following years.

8 Other payables

	2022	2021
	DKK'000	DKK'000
VAT and duties	442	65
Wages and salaries, personal income taxes, social security costs, etc. payable	1,580	743
Holiday pay obligation	639	606
Other costs payable	3,179	5,325
	5,840	6,739

9 Contingent liabilities

Marius Pedersen Holding A/S and its Danish subsidiaries are jointly taxed. The company thus has secondary liability with respect to income taxes etc. and any obligation to withhold taxes on interest, royalties and dividends applying to the jointly taxed companies. Such secondary liability is, however, capped at an amount equal to the portion of the shares capital in the Company held directly or indirectly by the ultimate parent

10 Assets charged and collateral

Shares in Marius Pedersen A/S, thousands DKK 2.734.853 have been pledged as security for bank debt amounting to thousands DKK 748.900.

11 Related parties with controlling interest

Ultimate parent: Entreprenør Marius Pedersen Fond, Faaborg-Midtfyn, CVR 11 59 41 74.

Balances and transactions between the Company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are:

12 Transactions with related parties

	Parent	Subsidiaries
	DKK'000	DKK'000
Services	0	4,000
Interest costs	625	0
Dividend	40,000	170,000
Outstanding amount	42,449	19,050

Accounting policies

Reporting class

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

Changes in accounting policies

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year except a change in accounting policies regarding Czech Republic related to historical negative revaluation PPA on landfills.

The Group have changed their accounting policies with a change in the presentation of salary reimbursement which now is recognised in other operating income and a reclassification of escrow accounts in Slovakia. Comparative figures and key figures have been adjusted accordingly.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling, influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised in intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually.

The uniting-of-interests method is applied on acquisition of enterprises and mergers etc. in which the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of comparative figures. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year.

Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary writedown of inventories.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc., and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Income from investments in joint ventures

Income from investments in joint ventures comprises the pro rata share of the individual joint ventures' profit/loss after pro rata elimination of intra-group profits or losses.

Income from investments in participating interests

Income from investments in participating interests comprises the pro rata share of the individual participating interests' profit/loss after pro rata elimination of intra-group profits or losses.

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet**Goodwill**

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the

experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 5 to 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.

Intellectual property rights etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 to 20 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Buildings	25 - 50 years
Plant and machinery	5 -10 years
Other fixtures and fittings, tools and equipment	5 - 8 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5 to 20 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in participating interests

Investments in participating interests are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the participating interests' equity value plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in participating interests.

Participating interests with negative equity value are measured at DKK 0. Any receivables from these participating interests are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant participating interest, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in participating interests is transferred to the reserve for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5 to 20 years.

Investments in participating interests are written down to the lower of recoverable amount and carrying amount.

Other investments

Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date, and unlisted equity investments measured at the lower of cost and net realisable value.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a contract in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet in receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Minority interests

On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the

liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Lease liabilities

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes, and financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk.

The consolidated Statement of Cash Flows cannot be derived on the basis of the official Financial Statement alone.