

Reconor A/S

Hørmarken 2, 1., 3520 Farum

CVR No 36 71 91 76

Annual report for

01.10.2020

-

30.09.2021

The Annual Report was presented and adopted at the Annual General Meeting of the Company on: 20 December 2021

Chairman

Henrik Axel Juul Nordenlund

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Company Information

Company

Reconor A/S
Hørmarken 2,1
3520 Farum

Central Business Registration No
Registered in

36 71 91 76
Farum

Financial period: 1 October 2020 - 30 September 2021
Financial year: 7th financial year

Executive Board

Henrik Axel Juul Nordenlund
Katrine Kjems Hyldgaard Christensen

Board of Directors

Niels Meidahl, chairman
Kevin Kristoffer Ehnhuus Iermin
Ivar Green-Paulsen

Auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup
Cvr no. 33 77 12 31

Key Figures

	2020/21	2019/20	2018/19
	TDKK	TDKK	TDKK
Financial highlights			
Profit and loss accounts			
Revenue	987.874	825.071	820.985
Gross profit/loss	590.642	509.889	511.411
EBITDA before special items	209.061	191.458	202.744
Operating profit/loss after special items	104.310	99.503	122.405
Net financials	(105.283)	(96.851)	(93.011)
Profit/loss for the period	(21.759)	(11.368)	10.070
Balance sheet			
Investments in tangible fixed assets	27.188	22.640	14.198
Total assets	1.683.360	1.541.785	1.475.419
Total equity	199.330	221.089	232.457
Net interest-bearing debt	1.066.701	979.114	995.858
Cash flows			
Cash flows from ordinary activities	108.552	166.655	98.350
Operating activities	94.723	153.121	72.698
Investing activities	(62.030)	(631)	1.745
Financing activities	(33.385)	(73.122)	(75.432)
Net cash flow for the year	(692)	79.368	(989)
Employees			
Average number of employees	539	465	450
Key Ratios			
Revenue growth	20%	0%	15%
Gross margin	60%	62%	62%
EBITDA Margin before special items	21%	23%	25%
Return on assets (%)	6%	6%	8%
Solvency ratio (%)	12%	14%	16%

Explanation of key ratios

Revenue growth	$\frac{\text{Revenue actual year} - \text{Revenue previous year}}{\text{Revenue actual year}}$
Gross margin	$\frac{\text{Gross profit}}{\text{Revenue}}$
EBITDA Margin before special items	$\frac{\text{EBITDA Margin before special items}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$

As this is the third consolidated financial statements for the group, the comparative figures for 2017/18 and 2016/17 and are omitted in accordance with the Danish Financial Statements Act, section 128.

Management's Review

Primary activities

Reconor A/S is a company with a primary activity of owning shares in the Reconor Group.

Reconor is a Danish environmental company that, through its two subsidiaries City Container and Norrecco, delivers sustainable solutions within collection, transport, handling and recycling of construction, construction and industrial waste as well as soil management with the operation of its own recycling projects. Reconor handles more than 2 million tonnes of resources at its own nationwide facilities. With a turnover of 988 million DKK and more than 500 employees, Reconor Group performs tasks daily for thousands of customers, and thus contributes to the circular economy.

Reconor assist Danish industrial and construction companies to meet high standards of responsible and environmentally safe recycling. Reconor can leverage its strong cross-value-chain positioning to offer customers complete value-added services. Furthermore, Reconor has developed a strong downstream position with environmental services, incl. strategic co-operation with buyers around circular opportunities

Reconor is covering both upstream logistics and waste treatment with its two business units City Container and Norrecco, respectively and can thereby offer a one-stopshop solution to customers. The Norecco Business mainly consists of soil handling and operation of soil recovery projects and upcycling of construction and other related activities. The City Container Business mainly handles collection, transportation and downstream disposal services for C&D (construction and demolition) and C&I (commercial and industrial) customers and the disposal of municipal solid waste (MSW), and other related activities.

Acquisition of Sten & Grus Prøvestenen A/S

During the year Reconor has entered into an agreement with the Belgian group Group De Cloedt to take over the business unit Sten & Grus Prøvestenen A / S from Group De Cloedt.

Sten & Grus Prøvestenen delivers environmental solutions within soil and waste management to customers, mainly in the Copenhagen area. The company is located on Prøvestenen with a treatment area of approx. 75,000 m².

The company has a strong environmental focus, and like Norrecco has developed a product range that includes recycling of materials from demolition and sales of new raw materials. The acquisition of Sten & Grus Prøvestenen will in particular strengthen Norrecco's position in the Copenhagen area, where access to new treatment areas is severely limited.

The strategic acquisition of Sten & Grus Prøvestenen is the fifth acquisition Reconor has made since 2015 and will secure Reconor's a preeminent site location in the Copenhagen area and provides security for future growth as site scarcity is expected to remain an industry wide challenge plans. We will also expand our product portfolio, customer base and geographical distribution.

Development this year

The business in 2020/21 was influenced by the continuing lock downs caused by the subsequent waves of Covid 19.

Despite the disruptions to normal operations caused by the lock downs Reconor's revenue amounted to DKK 988 mio. for the year ending 30 September 2021. This represents a 20% increase in revenue compared to from 2020/21 driven by high organic growth (17%) both also though the acquisition of Sten & Grus Prøvestenen A/S (3%). Over the past four years we have achieved strong financial performance with a Revenue 4Y-CAGR of 15% and high profitability.

The organic growth delivered in such challenging trading environments clearly demonstrate the resilience of the business.:

The 2020/21 EBITDA, adjusted for non-recurring costs, was TDKK 209.061 against TDKK 191.458 in 2019/20.

Reconor's 2021/20 income before tax came in at TDKK -973.

As of 30 September, 2021, equity amounts to TDKK 199.330, compared to an equity of TDKK 221.081, which corresponds to approximately 12% of total equity and liabilities.

Management's Review

Follow-up on development expectations from last year

Despite the negative impact from Covid-19, revenue increased month on month compared to 2019/20 and the final result was better than expected. All areas performed well with MSW and Soil in particular exceeding original expectations. The revenue increase was mirrored by an increase in EBITDA with monthly year on year improvements recorded during the second half of the year as restrictions were eased.

Outlook for the coming year

Reconor operates in a business environment with a high share of contracted revenue and a diversified customer base, which make the business financially robust.

The company is experiencing a continued general focus on environmental-friendly solutions, especially within recycling.

With Reconor's strategic site locations, focused Commercial Management Team, customer satisfaction and quality agenda, Reconor expects to be able to take advantage of the increase in demand for its services due to higher levels of construction, infrastructure projects and increased waste management requirements and as such, revenues and EBITDA are expected to continue to grow in 2021/22 with 5 - 15 % compared to 2020/21.

Risk management

The Reconor Group is exposed to various commercial and financial risks through business operations. This Risk are described below.

Commercial and operational risks

The Group is exposed to various commercial risks, such as competition, governmental regulation and pricing.

Group management closely monitors potential risks and opportunities. They have assessed that there are no single, significant risks related to group operations.

Reconor has implement a detailed management system which identifies and monitors potential risks and develops policies to mitigate the risks. The system is focused on UN 17 Sustainable development goals. All Group subsidiaries work with the management system to ensure that a culture of trust, responsibility and dedication to quality is maintained throughout all stakeholders.

Reconor's employees are conscientious which ensures that customers receive a quality experience. This responsibility takes dedication which relies on good management.

The system is based upon ISO standards for quality, environment and work environment, with most subsidiaries today are certified according to ISO 14001:2015 standard while others are certified both by ISO 9001:2015 and ISO 45001:2018 standards.

The system is internally audited at least twice a year as well as an external certification audit is obtained annually.

As Reconor is a first mover and strives to be at the forefront of developments in the industry, it remains at risk of a limited supply of qualified and competent employees in the market place.

Legal and regulation obligations are monitored regularly, with necessary adaptations to the work environment being made to accommodate any changes.

Financial risks

The financial risks are described in note 22 in the Group's financial statement.

Research and development activities risks

Reconor operates in a commercially competitive environment and to ensure it retains its position as leader for recycling services in Denmark, the Group spends considerable resources on continuous product improvement and development of activities. For accounting purposes and with the exception of IT projects, these costs are not capitalized.

Resource scarcity and the availability of local raw materials are a future major focus area. The Group's Resource Business' core business is the treatment of soil and construction waste so it can be converted into recyclable resources. With this as a starting point, Reconor has achieved getting recycled concrete certified as a product that can be used as aggregate in new concrete. Now this product certification is completed, other products will follow.

Many projects are being worked on in the Resources section of the company, where parts of these projects are implemented with funds from the Ministry of the Environment and Food in Denmark, such as MUDP projects (Environmental Technology Development and Demonstration Program). In the financial year 2020/21, the Reconor Group submitted two applications concerning environmental technical development projects. The "The Circular Construction Site" project has been awarded a grants. The decision regarding the other application is expected to be announced in the upcoming financial year 2021/22.

Management's Review

Statutory statement regarding sustainability and social responsibility in accordance with section 99a of the Danish Financial Statements Act

Reconor's core offerings are provided through its Resources Business (Norrecco) and Logistics Business (City Container):

Resources Business:

- i) soil handling at own sites and operation of soil recovery projects
- ii) upcycling of construction and demolition waste at own sites
- iii) Import/eksport
- iv) other related services Logistics business:

Logistics Business

- i) collection, transportation and downstream disposal services for construction and industrial waste
- ii) collection, transportation and disposal of municipal solid waste
- iii) other related services

The Resources and Logistics businesses are coordinated which enables Reconor to offer its customers a one-stop shop environmental solution.

In addition to its core offerings, Reconor's other related services comprise of stones and gravel sales and container rentals.

Reconor's nationwide network is among the largest in Denmark consisting of several sites that are strategically placed close to the major cities, projects and key customers across the country

Reconor Group is focused on developing and providing best-in-class sustainable solutions and being preferred partner to customers and other stakeholders, supported by uncompromising high-quality service level and expertise.

The activities of Reconor Group's Resource and Logistic Business is certified by DS / EN ISO 14001 (Environment Management). The MSW part of the Group's Logistic Business, is furthermore certified by DS / EN ISO 9001 (Quality Management) and 45001 (Occupational Health and Safety Management).

Social responsibility

The Reconor Group is committed to the ESG agenda and have, during 2021/2022, decided to consolidate the groups endeavours for continuous improvement in the areas of environmental impact, social relations, personnel matters and the fundamental aspects of human rights as well as the fight for anticorruption, in a separate ESG Organisation reporting to the Group CEO.

The updated 2021 version of the Reconor Group's Staff Handbook, being an integrated part of all employment contracts, is governing the groups personnel policies and actions in terms of social responsibilities.

The staff handbook is, among others, defining the Group's Code of Conduct and addressing the issues of discrimination and corruption.

Management's Review

Impact on the external environment

The Reconor Group is, through the Resource and Logistic Business offerings, a fundamental and valued partner enabling its municipal and private sector customer to reach their sustainable development goals.

The Logistic Business continues its strive for optimizing their services towards the Municipal and private sector customers, whereas the Resource Business continues its strive for upcycling of waste materials, similar to the certification of crushed concrete, in corporation with universities, customers and collaboration partners in Denmark and abroad.

The Reconor Group's efforts and results are noticed in the environmental sector, where the stakeholders rates the Resource Business high, when it comes to Groups sustainability profile.

The Reconor Group is, further to the Resource and Logistic Business positive contribution to their customers endeavour for reducing their environmental impact, very much focussed on the environmental impact of its own operations – i.e. emissions to air, soil and water as well as resource consumption in terms of water, power and fuel.

Fuel saving initiatives, based on advanced technology, has been implemented across the Resource and Logistic Business in 2020/2021, and further initiatives are planned for testing during 2021/2022.

The Reconor Group is, in its effort for serving their customers with sustainable environmental solutions, actively relating to the following sustainable development goals:

SDG 6: Through sustainable water management across all its operations, from washing of vehicles to reuse of water at its vast treatment facilities, and treatment of effluents prior to discharge to the municipal water treatment systems – to contribute to clean water and sanitation for all.

SDG 9: Through its combined offering of sustainable Logistic and Resource solutions – to contribute to the upgrade of all industries and infrastructures for sustainability

SDG 11: Through providing sustainable transport systems for waste collection – to contribute to sustainable urbanization

SDG 12: Through recycling and upcycling of various waste stream from private citizens and industries – to contribute to substantial reduction of waste generation

A focus area for the ESG organisation in 2021/2022, is to collect and validate data on the Group Operation's environmental impact, in order to establish a baseline for the Group's future ESG reports, hereunder development of continuous improvement programmes.

Management's Review

Social Relations, Personnel Matters and Human Rights

As Reconor is a first mover and strives to be at the forefront of developments in the industry, it remains at risk of a limited supply of qualified and competent employees in the market place. At Reconor we consider diversity and ensuring a safe workplace without discrimination or abuse our most material human rights issue.

The groups continuous efforts and results, in terms of being an open and including where diversity is appreciated, is in this regard seen as a mitigating factor – we are able to attract and retain highly skilled personnel with a very different competences, from waste collection and waste sorting, over back office functions, to candidates developing the Reconor Group's value proposition for tomorrow.

The Reconor Group's operations are part of an industry known for being a very male-dominated. The Group's operations are further more spread over multiple locations and, for the Logistic Business, along the network of roads typically connection its customers to the Resource Business sites or the Municipally owned wate-to-energy plants. A decentralized organizational structure, counting a high percentage of blue-collar workers, which calls for extraordinary efforts in terms of ensuring social governance.

The Group's ambition is, nevertheless, to ensure an open and including working environment, where diversity is appreciated and the individual employee is recognized for its contribution, regardless of race, ethnicity, gender, sexual orientation, socio-economic status, age, physical abilities, religious beliefs, political beliefs, or other ideologies.

The Logistic Business is, recognised through their municipal solid waste (MSW) collection activities in Copenhagen, a frontrunner in this regard. Individuals from marginalized groups of society is, in collaboration with numerous municipalities in the greater Copenhagen and their associated organisations, finding their way back in the job market through the including working environment provided by the MSW Group in Copenhagen. A special effort under the Covid-19 lockdown, which is continuing in 2021/2022, is to accommodate luggage personal from the Copenhagen Airport.

It is the Reconor Group's Staff Handbook, which is defining and communicating the groups personnel polities and actions in terms of Social Relations, Personnel Matters and Human Rights. A central policy is in this regard, the policy focussing on Abusive Acts.

The Policy on Abusive Acts is addressing and defining the various abusive acts to be aware of, hereunder bullying and sexual harassment. The policy on Abusive Acts is encouraging the individual employee to contact the nearest manager or the relevant representative in the Groups Occupational Health and Safety Organisation, in case of violations. The Policy on Abusive Acts is at the same time emphasising the representatives duty to take action.

The Group's Occupational Health and Safety Organisation (OH&S), having members representing all work locations and work activities, is, further to ensuring statutory compliance, playing a vital role in ensuring that the Group's ambitions in terms of an safe, open and including working environment are fulfilled and that all incidents are reported and addressed.

The importance of the work of the OH&S organisation has been given recognition be the Reconor Group in 2020/2021, where a fulltime Head of OH&S have been appointed. Four target areas has already been defined in relation to the OH&S organisations work I 2021/2022, these are: a) physical working environment, with special focus on stress. b) in-service training & postgraduate training. c) knowledge sharing from incidents and accidents. d) knowledge about, and access to, personal protective equipment.

A further initiative in this regard, planned for 2021/2022, is to strengthen the Reconor Group's HR organisation, with focus on inclusion, diversity and enhanced on- and off boarding programmes .

Management's Review

Anticorruption

The Reconor Group's activities are conducted by numerous vehicles and on a vast network of treatment sites, partly engaged in servicing private citizens on behalf of a municipality and partly catering to entrepreneurial customer segment, which often is searching for the lowest cost of disposing off waste products and contaminated soil – the latter being a somewhat entrepreneurial business community, with a wide spread in terms of education.

It is in interaction with these business communities that the staff handbooks focus on human behaviour, specifically rested in the Code of Conduct, is making a difference.

The Code of Conduct contains a general section addressing the legal framework of the business, as well as a more specific educational section, defining corruption by examples and further addressing what to do in case a employee if experiencing corruption or attempt on corruption. It is in the Code of Conduct, the Reconor Group's external on-line whistle-blower programme is highlighted as a possible way to go, if an employee finds it problematic to address an issue to the nearest manager.

The Reconor Group value transparency in all aspects of its operation, as a key to eliminate the risk of fraud and corruption.

An 2020/2021 example of the Reconor Group's efforts in this regard, is an ambitious and very crucial project for "reversing" procedures, when customers are delivering waste and soil to the Resource Business nationwide network of treatment sites.

The earlier, and still partly existing procedure, allowed for the Resource Business customers to enter the various sites and unload their cargo, whereas the actual declaration of the cargo and transaction formalities such as linking the cargo to a customer agreement and ensuring that the statutory formalities are in place, only were complete when the time of exiting the site - a procedure highly depending on trust and allowing for possible misunderstandings and providing for openings in terms of "misconduct", when considering price difference ranging up to several hundred Kroner a ton between the various fraction .

The above-mentioned procedures was reversed at the Resources Groups sites at Odense and Kolding during 2020/2021. The main activity, in terms of anticorruption scheduled for 2021/2022, is the reversal of weighing procedures at all the Resource Groups sites.

Other examples of initiatives for preventing "misconduct" carried out in 2020/2021, though on a smaller scale, is the cease of business transaction based on cash payments – a practice which were possible at few treatment sites, as well as the termination of bilateral agreement allowing for blue-collar employee to get a share of the profit for iron and metal they were sorting out from the heavy demolition waste.

Statutory statement regarding the underrepresented gender in accordance with section 99b of the Danish Financial Statements Act

Target for the supreme management body

The supreme management body of Reconor A/S is the Executive Board and the Board of Directors. The Executive Board consist of one male member and one female member. and equal gender representation has been obtained. The Board of Directors consist of three male members. Female board members who have previously been up for election have not been elected. The company expects to include a female member in the no later than by the end of 2023.

Policy to increase gender diversity on other management levels

Reconor A/S has less than 50 employees and can thereby apply the exemption and revert from reporting on gender diversity on other management levels.

Uncertainty relating to recognition and measurement

The Group does not have any special uncertainties relating to recognition and measurement. The critical accounting estimates are described in note 2 in the group financial statement.

Management's Review

Knowledge Resources

To some extent, the Group is dependent on attracting and retaining employees who are able to continue the development of the Group's operations.

Knowledge resources that may be particularly important for the group's future operations relate to being at the forefront of a wide range of recycling and circular economy services as well as maintaining a good image as an effective, dependable, flexible, socially and environmentally responsible company with a good working environment.

Capital loss, parent company

The company has lost more than 50% of the share capital and is therefore covered by the capital loss provisions of the Danish Companies Act. At the forthcoming general meeting, the management will report on the financial situation and present that the share capital is expected to be re-established in the event of future positive earnings.

The historical losses have occurred primarily due to required amortization of goodwill in subsidiaries in accordance with the Danish Financial Statements Act, and have therefore not had a liquidity significance. The financing is secured in the coming years and there is sufficient liquidity in the company and the Group, this matter does not affect the company's ability to continue operations.

Subsequent events

After year end Reconor have been approached by Copenhagen harbour that together with the Danish Authorities have started on a process where there are expropriating a part of Norreco's production site at Prøvestenen. To accommodate the authorities right to take over the land Norreco have moved their production from the area. Reconor Group are in dialog with Copenhagen Harbour to get a compensation for their Expropriation.

Besides the above no significant events have occurred after the reporting period.

Management's Statement

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Reconor A/S for the financial year 1 October 2020 - 30 September 2021.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 30 September 2021 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 1 October 2020 - 30 September 2021.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Farum, 20 December 2021

Executive Board

Henrik Axel Juul Nordenlund

Katrine Kjems Hyldgaard Christensen

Board of Directors

Niels Meidahl
chairman

Kevin Kristoffer Ehnhuus Jermiin

Ivar Green-Paulsen

Independent Auditor's Report

To the Shareholders of Reconor A/S

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 30 September 2021 and of the results of the Group's operations and cash flows for the financial year 1 October 2020 to 30 September 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 30 September 2021 and of the results of the Parent Company's operations for the financial year 1 October 2020 to 30 September 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Reconor A/S for the financial year 1 October 2020 - 30 September 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the 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, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Parent Company to cease to continue as a going concern.

Independent Auditor's Report

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the 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.

Hellerup, 20 December 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Torben Jensen
State Authorised Public Accountant
mne18651

Thomas Baunkjær Andersen
State Authorised Public Accountant
mne35483

Consolidated statement of profit and loss 1 October - 30 September

	<u>Notes</u>	<u>2020/21</u> <u>TDKK</u>	<u>2019/20</u> <u>TDKK</u>
Revenue	3	987.874	825.071
Raw materials and consumables		(397.232)	(315.182)
Gross profit/loss		590.642	509.889
Other external expenses		(85.985)	(75.751)
Staff expenses	4	(296.906)	(245.471)
Depreciation and amortisation of intangible and fixed assets	5	(88.386)	(72.881)
Other income	6	1.310	2.791
Operating profit/loss before special items		120.674	118.577
Special items	7	(16.364)	(19.074)
Operating profit/loss after special items		104.310	99.503
Finance income	8	1.308	730
Finance costs	9	(106.591)	(97.581)
Profit/loss before tax		(973)	2.652
Income tax	10	(20.787)	(14.020)
Profit/loss for the period		(21.759)	(11.368)

Consolidated statement of comprehensive income 1 October - 30 September

	<u>Notes</u>	<u>2020/21 TDKK</u>	<u>2019/20 TDKK</u>
Profit for the period		(21.759)	(11.368)
Other comprehensive income for the period, net of tax		0	0
Total comprehensive income for the period		(21.759)	(11.368)

Consolidated balance sheet 30 September

	Notes	2020/21 TDKK	2019/20 TDKK
Intangible assets	12	894.042	843.138
Property, plant and equipment	13,14	509.377	450.382
Non current receivables		1.722	1.868
Total non-current assets		1.405.141	1.295.388
Inventories	16	4.169	3.747
Trade receivables	17	78.233	58.105
Receivables from group companies		28.547	26.902
Other receivables		19.364	9.045
Cash and cash equivalents		147.906	148.598
Total current assets		278.219	246.397
Total assets		1.683.360	1.541.785

Consolidated balance sheet 30 September

	Notes	2020/21 TDKK	2019/20 TDKK
Share capital	18	12.537	12.537
Retained earnings		186.793	208.552
Total equity		199.330	221.089
Subordinated loan from group companies	22	174.962	160.402
Borrowings	22	814.997	4.234
Loans from group companies	22	0	332.220
Deferred tax liabilities	15	13.472	2.734
Current income tax liabilities	22	13.173	10.780
Lease obligations	22	128.475	141.852
Other payables	22	4.540	1.463
Total non-current liabilities		1.149.619	653.685
Borrowings	22	8.183	419.125
Provisions	19, 22	38.197	24.971
Trade payables	22	93.089	72.562
Current income tax liabilities	22	10.780	13.102
Lease obligations	22	87.990	69.879
Other payables	22	96.172	67.372
Total current liabilities		334.411	667.011
Total liabilities		1.484.030	1.320.696
Total equity and liabilities		1.683.360	1.541.785

Consolidated statement of changes in equity

	Share capital TDKK	Retained earnings TDKK	Total TDKK
Equity at 01.10.2019	12.537	219.920	232.457
Profit for the period	0	(11.368)	(11.368)
Other comprehensive income	0	0	0
Total comprehensive income for the period	0	(11.368)	(11.368)
Equity at 30.09.2020	12.537	208.552	221.089
Profit for the period	0	(21.759)	(21.759)
Other comprehensive income	0	0	0
Total comprehensive income for the period	0	(21.759)	(21.759)
Equity at 30.09.2021	12.537	186.793	199.330

Consolidated cash flow statement 1 October - 30 September

	Notes	2020/21	2019/20
		TDKK	TDKK
Profit/loss for the period		(21.759)	(11.368)
Adjustments	24	213.146	180.961
Changes in net working capital	25	(4.021)	39.314
Cash flows from ordinary activities before financial income and expenses		187.366	208.907
Interests received		92	145
Interests paid		(78.906)	(42.397)
Cash flows from ordinary activities		108.552	166.655
Income taxes paid		(13.829)	(13.534)
Net cash flow from operating activities		94.723	153.121
Purchase of intangible assets		(1.766)	(2.687)
Purchase of property, plant and equipment		(27.188)	(22.640)
Proceeds from sale of property, plant and equipment		10.391	24.696
Acquisition of subsidiaries		(44.712)	0
Acquired cash (acquisition of subsidiaries)		1.245	0
Net cash flow from investing activities		(62.030)	(631)
Proceeds from borrowings		802.223	29.841
Repayment of borrowings		(744.459)	0
Repayment of lease obligations		(91.149)	(102.963)
Cash flow from financing activities		(33.385)	(73.122)
Net cash flow for the year		(692)	79.368
Cash and cash equivalents, beginning of the year		148.598	69.230
Cash and cash equivalents at end of the year	26	147.906	148.598

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1. Accounting policies

The Financial Statements for Reconor A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union as well as additional Danish disclosure requirements applying to entities of reporting class C for large enterprises.

The financial statements are presented in Danish Kroner (DKK). The financial statements have been rounded to the nearest thousand.

With regards to the true and fair view of the financial statements, certain reclassifications have been made in the balance sheet and notes. Comparative figures have been adjusted accordingly. The changes has no effect on equity and result. The accounting policies applied remain unchanged from last year. The Financial Statements for 2020/21 are presented in DKK.

New standards not yet effective

There are no IFRSs or IFRIC interpretations that are not yet effective that is expected to have a material impact on the Company.

Basis of consolidation

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

On consolidation, elimination is made of intra-group income and costs, shareholdings, intra-group balances and dividend and realized and unrealized profits or losses on transactions between the consolidated companies.

Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Notes

1. Accounting policies (continued)

Revenue

Revenue is recognized when or as the performance obligations in the contract are satisfied by transferring control of the promised product or service.

Revenue recognized at a point in time comprise Gate fees, construction and demolition waste, soil, stone and gravel and sale of products, where the performance obligations are satisfied when the product or goods are sold.

Revenue recognized over time comprise rental of equipment, transport services and services relating to Municipal Solid Waste. Services are recognized over time at the rate of completion of the service to which the contract relates by using a time-based method to measure progress as the performance obligation is satisfied evenly over a period of time or the entity has a stand-ready obligation to perform over a period of time.

The payment terms follow the industry and fall due 20 days after month end.

No contracts have a financing element and no contracts comprise variable consideration elements. The group has no obligations for returns, refunds and no warranties have been given.

Revenue is measured as the fair value of the consideration received or receivable. Revenue is measured exclusive of VAT, taxes etc. charged on behalf of third parties and less any commissions and discounts, rebates granted and returns in connection with sales.

Contract assets and liabilities

Performance obligations are fulfilled at one point in time or over a very short period of time, so no contract assets are recognised. The group does not receive prepayments and deposits, hence no contract liabilities are recognised.

Raw materials and consumables

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials and consumables.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Other income and expenses

Other income and other expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes

1. Accounting policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to intangible assets and property, plant and equipment comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Special items

Special items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Financial income and expenses

Financial income and expenses include interests, financial gains and expenses, debt, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as additional payments and repayment under the tax prepayment scheme.

Income tax and deferred tax

The company is jointly taxed with Danish Group enterprises. The Danish income tax payable is allocated between the jointly taxed Danish companies based on their proportion of taxable income (full absorption including reimbursement of tax deficits). The jointly taxed companies are taxed under the Danish Tax Payment Scheme. Additions, deductions and allowances are recognised under financial income or financial costs.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes

1. Accounting policies (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Business combinations

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred
- Liabilities incurred to the former owners of the acquired business
- Equity interests issued by the group
- Fair value of any asset or liability resulting from a contingent consideration arrangement, and
- Fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the (1) consideration transferred, (2) amount of any non-controlling interest in the acquired entity and (3) acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Notes

1. Accounting policies (continued)

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested for impairment annually, or more frequently, if events or changes in material circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relation to the entity sold.

On initial recognition, goodwill is measured and recognised as the excess of the cost of the acquired company over the fair value of the acquired assets, liabilities and contingent liabilities, as described under Business Combinations.

On recognition of goodwill, the goodwill amount is allocated to those of the Group's activities that generate separate cash flows (cash-generating units). The determination of cash-generating units is based on the Group's management structure and internal financial management and reporting. Goodwill is not amortised, but is tested for impairment at least once a year.

Customer contracts, software and development projects

Costs of development projects and software comprise salaries, amortisation and other expenses directly attributable to the Company's development activities. Borrowing costs that are attributable to the development projects etc. are added to the costs of the assets during the period that is required to complete and prepare the asset for its intended use.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Group can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 7 years.

Software is measured at cost less accumulated depreciation. Software is depreciated on a straightline basis over the useful life.

Customer relations are related to prior years Business Combinations, where existing customer relations at the date of acquisition has been valued at fair vaule, consisting of expected earnings from the actual relations. Customer relations is depreciated on a straightline basis over the useful life.

Amortisation of intangible assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values over their estimated useful lives, as follows:

Customer relations	3-7 years
Development projects (IT)	5 years
Software	3-5 years

Notes

1. Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the time when the asset is available for use. Borrowing costs that are attributable to the construction of property, plant and equipment are added to the costs of the assets during the period that is required to complete and prepare the asset for its intended use.

Expenditures for repairs and maintenance of property, plant and equipment is charged to the profit and loss of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values over their estimated useful lives, as follows:

Production buildings	20-30 years
Other fixtures and fittings, tools and equipment	3-15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains and losses arising from disposal of property, plant and equipment are calculated as the difference between the sales price less sales costs and the carrying amount at the time of sale.

Gains and losses are recognised in the profit and loss as other income or other expenses.

Leases and lease obligations

The group primarily leases land and buildings, offices, equipment and vehicles. The contracts are typically made for periods of 36 months to 6 years.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of land and buildings and vehicles, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Notes

1. Accounting policies (continued)

Leases and lease obligations (continued)

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate. If that rate cannot be readily determined, which is generally the case for leases in the group, the incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease obligation
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs,
- and restoration costs.

Payments associated with leases of low-value assets are recognised on a straight-line basis as an expense in the Income Statement. Low-value assets comprise IT equipment and small items of office furniture.

All short-term leases of equipment and vehicles are recognised in the balance sheet as right-of-use assets.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Impairment of non-current assets

The carrying amounts of intangible assets and property, plant and equipment are written down immediately to the recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised in the income statement when the impairment is identified. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level at which cash flows are separately identifiable (cash-generating units).

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value. The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales prices. The cost of goods for resale, raw materials and consumables equals landed cost.

Receivables

Receivables are initially recognised at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortised cost, as the receivables are assets held for collection of cash flows, where the cash flows represents solely payments of principal and interest. Amortised cost usually corresponds to the nominal value. Write-down is made to net realisable value to provide for expected losses.

For trade receivables the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Notes

1. Accounting policies (continued)

Prepayments

Prepayments comprise prepaid expenses relating to rent, insurance premiums, subscriptions and interests.

Equity

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividend distribution

Proposed dividends are disclosed as a separate item under equity.

Borrowings and borrowing costs

Borrowings are recognised on the raising of a loan at cost, equalling fair value of the proceeds received, and net of transaction costs incurred. Subsequently, borrowings are measured at amortised cost. Included in borrowings are subordinated loans, which are subordinated all other creditors.

General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

Provisions

Provisions comprise legal claims, warranties, costs necessary to clean, sort and dispose received soil and waste and obligations to re-establish land and buildings. Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Other financial liabilities

Other financial liabilities, including bank and financial loans, trade and other payables, are on initial recognition measured at fair value. The liabilities are subsequently measured at amortised cost.

Notes

1. Accounting policies (continued)

Cash flow statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments. Cash flows from financing activities comprise cash flows from the raising and repayment of long term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. The cash flow statement cannot be immediately derived from the balance sheet.

Notes

2. Critical accounting estimates and judgements

In the preparation of the consolidated financial statements according to IFRS, Management is required to make certain estimates as many financial statement items cannot be reliably measured, but must be estimated as the value of assets and liabilities often depends on future events that are somewhat uncertain.

The judgments, estimates and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates and assumptions for the individual item is described below.

Waste provision

The Groups activities includes receiving and disposal of soil and waste from the industrial sector. The provision represent the cost, that is necessary to bear, to cleanse, sort and dispose received soil and waste at the balance sheet date. The estimated cost consists of external expenses to disposal as well as internal cost to transport and handling. The estimation uncertainty is related to the estimation of these costs.

Management estimates the related provision for future costs based on historical price information, as well as recent trends that might suggest that past cost information may differ from future claims.

At 30 September 2021, the carrying amount for this provision is DKK 38.2 million (2020: DKK 25.0 million).

Key assumptions used for value-in-use calculations

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2020/21 and 2019/20 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering the financial year 2021/22. Cash flows beyond this period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Notes

3. Revenue

	Resources	Logistics	Eliminations	2020/21
	TDKK	TDKK	TDKK	TDKK
<i>Revenue - 2020/21</i>				
Revenue from external customers	437.405	550.469		987.874
Internal revenue	72.094	4.765	(76.859)	0
Total	509.499	555.234	(76.859)	987.874

	Resources	Logistics	Eliminations	2019/20
	TDKK	TDKK	TDKK	TDKK
<i>Revenue - 2019/20</i>				
Revenue from external customers	362.845	462.226	0	825.071
Internal revenue	74.099	14.136	(88.235)	0
Total	436.944	476.362	(88.235)	825.071

The primary revenue in 2020/21 & 2019/20 is derived from Denmark. All assets in both units are located in Denmark.

There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

Logistic revenue consists of transport services, including rental of equipment and other related activities.

Ressource revenue consists of services relating receiving, sorting, handling, recycling and sales of materials from the construction industry, industrial sector as well as public and private suppliers, and other related activities.

Notes

3. Revenue (continued)

<i>Revenue - 2020/21</i>	Resources TDKK	Logistics TDKK
At point in time	437.405	119.421
Over time	0	431.048
Total revenue	437.405	550.469

<i>Revenue - 2019/20</i>	Resources TDKK	Logistics TDKK
At point in time	362.845	115.731
Over time	0	346.495
Total revenue	362.845	462.226

There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

Notes

	2020/21	2019/20
	TDKK	TDKK
4. Staff costs		
Wages and salaries	264.946	215.764
Pensions	20.445	17.460
Other social security costs	6.875	5.188
Other staff costs	4.640	7.059
	296.906	245.471
Average number of employees	539	465
Including remuneration to the Executive Board and Board of Directors of:		
Executive Board	5.220	5.713
Board of Directors	425	425
	5.645	6.138

Key Management Compensation

Key Management consists of Executive Board and other key personnel. The compensation paid or payables to key management for employee services is shown below:

	2020/21	2019/20
	TDKK	TDKK
Wages and salaries	8.483	8.929
Pensions	406	329
Termination benefits	0	0
	8.889	9.258

Share incentive plan for key management

In order to retain the Groups Key management personnel, Key management personnel has been offered to become shareholders of the Reconor Group by acquiring shares in MH Gruppen MidCo ApS (Parent company to Reconor A/S).

The scheme set-forth that shares are traded on market values. Reference is made to note 27 Share based payments.

During 2020/21 one shareholders ceased employment in the Reconor Group, and one shareholders sold their shares (2019/20: No shareholders sold their shares).

During 2020/21 no new members of key management became shareholders (2019/20: two new members of key management became shareholders).

Notes

	2020/21	2019/20
	TDKK	TDKK
5. Amortisation and depreciation		
Amortisation of intangible assets	5.270	8.037
Depreciation on property, plant and equipment	83.116	64.844
	88.386	72.881
<i>Classified as:</i>		
Depreciation and amortisation of intangible and fixed assets	88.386	72.881
	88.386	72.881
6. Other income		
Profit on sale of property, plant and equipment	1.310	2.791
	1.310	2.791
7. Special items		
Cost related to change in Business focus and reorganization	10.740	13.090
Cost related to Business acquisitions	1.197	0
Settlements and losses from receivables	1.507	1.573
Losses from sale of land and buildings	0	2.337
Other non-recurring cost	2.920	2.074
	16.364	19.074

Special items comprise items which are unusual to the normal operation or expected to be non-recurring. They have in the Income statement been isolated in order to give a more true and fair reflection on underlying business activities. Such costs are typically restructuring, impairment losses, discontinuing operations and similar.

Examples of special items is cost in relation to organizational restructuring, extraordinary consultancy cost in relation to acquisitions and consultancy cost in relation to strategy. Other non-recurring costs consist of extraordinary non-operating related losses and expenses related to COVID-19 etc.

	2020/21	2019/20
	TDKK	TDKK
8. Financial income		
Interest from group enterprises	1.216	585
Other financial income	92	145
	1.308	730
9. Financial expenses		
Interest to group enterprises	42.768	47.515
Other financial expenses	63.657	49.988
Exchange loss	166	78
	106.591	97.581

Notes

	2020/21	2019/20
	TDKK	TDKK
10. Tax on profit for the year		
Current tax:		
Current tax on profits for the year	13.247	10.780
Current tax on profits for previous years	187	(221)
Deferred tax on profit for the year and previous years	7.353	3.461
	20.787	14.020
Calculated 22.0% tax on profit for the year before income tax	(214)	583
Tax effects of:		
Non-taxable income	0	0
Non-deductible expenses	21.001	13.437
Other	0	0
	20.787	14.020
Effective tax rate	2137%	-529%

Non-deductible expenses, and thereby the unusual effective tax rate, are caused primarily of the Group's interest rate reduction limitations according to the Danish tax legislation.

Notes

11. Acquisition of companies and operations

On 12 May 2021, the Reconor Group acquired 100% of Sten & Grus Prøvestenen A/S. The company recycles different types of waste products and ensure a circular usage of materials. The Group had previously been under private ownership and have a combined staff of around 25.

	Sten & Grus Prøvestenen A/S Fair value of acquisition 2020/21 TDKK
Intangible assets	5.369
Tangible assets	27.066
Financial assets	10
Inventories	446
Receivables	11.327
Cash and bank balances	1.245
Income tax assets	3.193
Deferred tax assets	1.451
Borrowings	-562
Payables	-40.568
Provisions	-8.468
Acquired net assets	509
Goodwill	44.203
Cash flow for acquisition:	
Cash payment	44.712
Deferred cash payment	0
Less cash and cash equivalents in acquired business	-1.245
Cash outflow for acquisition	43.467

The company's main activities are to receive and handle clean and polluted soil and recyclable building materials. The Company offers a broad product range of aggregates. In addition the Company performs handling activities (loading and unloading of ships and trucks).

Sten & Grus Prøvestenen A/S has contributed with approximately DKK 49.9 million in revenue and DKK -3.9 million in net profit for the period 1 October 2020 - 30 September 2021 and approximately DKK 25.5 million in revenue and DKK 0.9 million in net profit for the period 12 May 2021 - 30 September 2021.

The transaction costs related to the acquisition amount to approximately DKK 0.4 million. Goodwill relates to the expected synergies between the Group entities and future earnings, goodwill is not tax deductible.

There have been no business combinations in 2019/20.

Notes

12. Intangible assets

	Customer relations TDKK	Software TDKK	Develop- ment projects in progress TDKK	Goodwill TDKK	Total TDKK
Cost:					
At 01.10.2020	13.199	20.271	3.899	888.896	926.265
Additions during the year	5.369	5.214	451	49.039	60.073
Disposals during the year	0	0	(3.899)	0	(3.899)
At 30.09.2021	18.568	25.485	451	937.935	982.439
Amortisation and impairment:					
At 01.10.2020	12.715	9.195	0	61.217	83.127
Amortisation for the year	1.047	4.223	0	0	5.270
Impairment for the year	0	0	0	0	0
Reversals regarding disposals	0	0	0	0	0
At 30.09.2021	13.762	13.418	0	61.217	88.397
Carrying amount 30.09.2021	4.806	12.067	451	876.718	894.042
Cost:					
At 01.10.2019	13.199	18.885	2.598	888.896	923.578
Additions during the year	0	1.386	1.301	0	2.687
Disposals during the year	0	0	0	0	0
Transfers during the year	0	0	0	0	0
At 30.09.2020	13.199	20.271	3.899	888.896	926.265
Amortisation and impairment:					
At 01.10.2019	8.476	5.397	0	61.217	75.090
Amortisation for the year	4.239	3.798	0	0	8.037
Impairment for the year	0	0	0	0	0
Reversals regarding disposals	0	0	0	0	0
Transfer during the year	0	0	0	0	0
At 30.09.2020	12.715	9.195	0	61.217	83.127
Carrying amount 30.09.2020	484	11.076	3.899	827.679	843.138

Notes

12. Intangible assets (continued)

Goodwill

Goodwill has been subject to an impairment test, which has been approved by Group management. The impairment test performed per 30 September 2021 revealed no need for impairment of goodwill.

Goodwill has been tested on each identified cash generating unit. The Reconor Group have two separate cash generating units, represented by "Resources" and "Logistics". In the calculation of the value in use of cash generating units, future free net cash flow is estimated based on Management-approved budgets and financial forecasts.

The expected future net cash flow is based on budgets for 2021/22 and projections for 2022/23 approved by Management. The key parameters in the calculation of the value in use are revenue, earnings, working capital, capital expenditure, discount rate and the preconditions for the terminal value.

The split of goodwill between the segments Resources and Logistics and key assumptions, in the form of long term growth rate and discount rate used in the value-in-use calculations are as follows:

Assuptions at 30.09.2021

	Resources	Logistics
Marginal tax rate (%)	22,0%	22,0%
Long term growth rate (%)	1,5%	1,5%
Pre-tax discount rate (%)	8,9%	10,8%
Goodwill	628.414	248.304

Assuptions at 30.09.2020

	Resources	Logistics
Marginal tax rate (%)	22,0%	22,0%
Long term growth rate (%)	1,5%	1,5%
Pre-tax discount rate (%)	9,6%	10,8%
Goodwill	579.375	248.304

Notes

12. Intangible assets (continued)

Description of assumptions

Long-term growth rate is the average annual growth rate over the two-year forecast period, and the expected growth rate on long term. It is based on past performance and management's expectations of market development in the two segments, and will be reached by continuous product development and sales effort as well as by increase in market.

The development of sales is expected to be realized based on all the Group's activities. Resources and Logistics is supported by a documented increasing level of activity with the Group's existing customers and the expectation of a general increase in existing markets as well as entries into new markets.

Marginal tax rate is the expected rate over the two-year forecast period. It is based on current Danish tax legislation.

Sensitivity to changed assumptions

The calculated value in use for each cash-generating unit is considerably higher than the carrying amount, and the prepared impairment test shows that goodwill and other intangible assets are not impaired. In Management's opinion, no reasonable likely change to the above-mentioned assumptions will imply that the carrying amount of each cash-generating unit will exceed the value in use significantly.

Other intangible assets

Customer relations has been recognised as a separate asset when acquiring businesses. Development projects and development projects in progress mainly cover IT Projects.

Notes

13. Property, plant and equipment

	Land and buildings TDKK	Other fixtures and fittings, tools and equipment TDKK	Total TDKK
Cost:			
At 01.10.2020	258.478	335.392	593.870
Additions during the year	69.684	80.453	150.137
Disposals during the year	(649)	(46.295)	(46.944)
At 30.09.2021	327.513	369.550	697.063
Depreciation and impairment:			
At 01.10.2020	58.405	85.083	143.488
Depreciation for the year	22.221	59.840	82.061
Reversals regarding disposals	(615)	(37.248)	(37.863)
At 30.09.2021	80.011	107.675	187.686
Carrying amount 30.09.2021	247.502	261.875	509.377
Cost:			
At 01.10.2019	252.873	306.442	559.315
Additions during the year	14.545	88.728	103.273
Disposals during the year	(8.940)	(59.778)	(68.718)
Transfer during the year	0	0	0
At 30.09.2020	258.478	335.392	593.870
Depreciation and impairment:			
At 01.10.2019	41.488	83.899	125.387
Depreciation for the year	17.310	47.534	64.844
Reversals regarding disposals	(393)	(46.350)	(46.743)
Transfer during the year	0	0	0
At 30.09.2020	58.405	85.083	143.488
Carrying amount 30.09.2020	200.073	250.309	450.382

Notes

14. Leases

Amounts recognised in the balance sheet

The balance show the following amounts relating to leases:

	30 September 2021 TDKK	30 September 2020 TDKK
Right-of-use assets		
Land and buildings	48.377	32.432
Equipment	201.248	192.195
	249.625	224.627
Lease liability		
Current	87.990	69.879
Non-current	128.475	141.852
	216.465	211.731

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2020/21 TDKK	2019/20 TDKK
Depreciation charge of right-of-use assets		
Land and buildings	(16.330)	(12.620)
Equipment	(47.202)	(34.694)
	(63.532)	(47.314)
Interest expenses relating to recognised leases at the balance sheet	5.995	7.605
Expenses relating to low-value-assets (that are not short-term leases)	0	0
	5.995	7.605

The group does not have any low-value assets related to lease agreements. Combined such lease payments are estimated to be less than DKK 100k (2019/20: DKK 100K).

Notes

14. Leases (continued)

Amounts recognised in the balance sheet

The balance show the following amounts relating to leases:

	Land and buildings TDKK	Equipment TDKK	Total TDKK
Right-of-use assets			
Carrying amount 01.10.2020	32.432	192.195	224.627
Additions	32.275	63.608	95.883
Disposals	(551)	(40.396)	(40.947)
Depreciation for the year	(16.330)	(47.202)	(63.532)
Reversals regarding disposals	551	33.043	33.594
Carrying amount 30.09.2021	48.377	201.248	249.625
	Land and buildings TDKK	Equipment TDKK	Total TDKK
Right-of-use assets			
Carrying amount 01.10.2019	48.512	158.783	207.295
Additions	754	79.809	80.563
Disposals	(4.529)	(48.004)	(52.533)
Depreciation for the year	(12.620)	(34.694)	(47.314)
Reversals regarding disposals	315	36.301	36.616
Carrying amount 30.09.2020	32.432	192.195	224.627

Notes

	2020/21	2019/20
	TDKK	TDKK
15. Deferred tax		
Deferred tax at 01.10.2020	2.734	(727)
Deferred tax recognised in the income statement	7.353	3.461
Business acquisition	3.385	0
Deferred tax recognised in other comprehensive income	0	0
Deferred tax at 30.09.2021	13.472	2.734
Deferred tax relates to:		
Intangible assets	4.743	4.057
Property, plant and equipment	17.605	7.131
Amortisation	(460)	(2.950)
Provisions	(8.416)	(5.504)
Transferred to deferred tax asset	0	0
	13.472	2.734
Of which presented as deferred tax assets	0	0
Of which presented as deferred tax liabilities	13.472	2.734
	2020/21	2019/20
	TDKK	TDKK
16. Inventories		
Raw materials and consumables	4.169	3.747
Finished goods and goods for resale	0	0
Total inventories	4.169	3.747
Write down on inventory	0	0
Total net inventories	4.169	3.747

Notes

	2020/21	2019/20
	TDKK	TDKK
17. Trade receivables		
Trade receivables and other receivables at 30 September	81.587	60.166
Less provision for impairment of trade receivables	(3.354)	(2.061)
Trade receivables net	78.233	58.105

Movement on the Company's provision for impairment of trade receivables are as follows:

Opening balances	(2.061)	(1.470)
Utilised during the year	2.061	1.470
Change in provision during the year	(3.354)	(2.061)
Trade receivables at 30 September	(3.354)	(2.061)

	2020/21	2019/20
	TDKK	TDKK
Allocation of receivables past due but not impaired by maturity period are as follows:		
Up to 3 months	20.666	7.953
More than 3 months	5.210	4.656
Overdue net receivables at 30 September	25.876	12.609

Expected credit losses

The group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information. The credit risk is generally considered immaterial.

	2020/21	2019/20
	TDKK	TDKK
Expected loss rate %:		
Up to 2 months	5%	5%
Up to 3 months	10%	5%
More than 3 months	50%	20%
Increased credit risk	75-100%	50%

Notes

18. Share capital

	2020/21	2019/20
	Nominal	Nominal
	share	share
	capital	capital
<i>Changes in share capital</i>		
Share capital opening	12.537.494	12.537.494
Shares issued during the year	0	0
Share capital	12.537.494	12.537.494
<i>The share capital consists of:</i>	Number of	Number of
	shares	shares
Common shares - Nom. DKK 1 per share	7.537.500	7.537.500
Preference A shares - Nom. DKK 1 per share	4.999.994	4.999.994
Share capital	12.537.494	12.537.494

All shares have nominal value of DKK 1. The Common shares does not have any voting rights and preference A shares have voting rights.

Capital management

The group's objectives when managing capital are to secure the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital. Any surplus liquidity is used to reduce debt.

The Executive Board monitors the share and capital structure to ensure that the group's capital resources support the strategic goals.

	2020/21	2019/20
	TDKK	TDKK
19. Provisions		
<i>Waste disposal</i>		
Provisions 1 October	24.971	24.562
Additions during the year	29.073	24.971
Additions by business acquisition	9.124	0
Utilised during the year	(24.971)	(24.562)
Provisions 30 September	38.197	24.971

The Groups activities includes receiving and disposal of soil and waste from the industrial sector. The provision represent the best estimate of the cost necessary to bear, to cleanse, sort and dispose received soil and waste at the balance sheet date. The provision falls due continuously, as a part of the company's daily operations. Information regarding the figures and the expected timing is disclosed in note 22.

Notes

20. Related parties

The immediate parent company is MH Gruppen Midco ApS, and the ultimate parent entity with controlling interest is Agilitas MH Gruppen 2015 Fund L.P. Neither produces consolidated financial statements, but Reconor A/S is included in the consolidated financial statements of the parent company of MH Gruppen Midco ApS, Reconor Holding ApS.

Transactions with key management personnel

Transactions with key management personnel include transactions with companies controlled by the key management personnel. Reference is made to note 5.

The following transactions were carried through with related parties

	2020/21	2019/20
	TDKK	TDKK
Transactions with the parent, MH Gruppen Midco ApS		
Accrued interest on loan notes, expensed	39.652	43.637
Borrowings and subordinated loan, outstanding amount at balance sheet date	174.963	450.593
Transactions with other related parties		
Fees for services rendered to Agilitas 2013 Private Equity GP LP (general partner of Agilitas 2013 Private Equity Fund, L.P., a shareholder of Reconor Holding ApS)	3.379	3.360

No other transactions have taken place during the year with Executive Board, major shareholders or other related parties.

21. Commitments and contingent liabilities

Joint taxation scheme

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc. of the Group, Reconor Holding ApS is the management company for the joint taxation. The total amount of corporation tax payable for the Group in the joint taxation is TDKK 8.689 for 2020/21 and TDKK 2.004 for 2019/20.

Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Groups's liability.

Commitments

Land and buildings provided as security vis-à-vis for mortgage debt amount to DKK 54.7 million (2019/20: DKK 50.2 million) out of mortgage debt of DKK 4,3 million (2019/20: DKK 5.0 million).

Credit institutions has a claim on Groups selected debtors, which are included in the "Trade receivables" asset. Negative pledge have been registered.

Notes

22. Financial risk management

Financial risk factors

As a result of operations, investments and financing, the Reconor Group is exposed to interest rate changes and customer credit exposure.

The Reconor Group manages the financial risks centrally and coordinates the Group's cash management, including funding of investments and cash management.

The Group have a low risk profile, and is only exposed to financial risks in connection with its commercial activities.

Market risk

Foreign exchange risk

Foreign exchange risk arises due to imbalances between revenue and expenses in individual currencies. The Group operates in all material aspects only in Denmark, consequently all cash flows and monetary positions are denominated in DKK. Thus the currency exposure is considered minimal.

Interest rate risk

The Reconor Group have borrowings from credit institutions and leasing arrangements. All borrowings have a fixed interest rate. Borrowings issued at fixed rates expose the group to fair value interest rate risk, which will not have any impact on the recognized values.

The Group's management monitors the interest fluctuations and consider potential opportunities to refinance positions.

Credit risks

The Group's primary credit exposure is related to trade receivables and cash positions. The Reconor Group has no major exposure relating to one single customer or business partner. The Group's cash and cash equivalents have been invested in well-established financial institutions with low risk.

The Group manages its credit risk by continuously assessing the credit history of its customers and setting credit terms individually for each client. Individual risks limits are set based on internal ratings in accordance with limits set by the management. Management routinely monitors the credit exposure on customers.

Liquidity risk

The Group manages its liquidity risk by monitoring the changes in working capital and by ensuring adequate funding is in place. Based on the Group's cash management principle - cash concentration.

The Group has loans which is subject to covenant compliance. This includes that the Group has to comply with debt ratios and cash flow ratios. Management continuously monitor and forecast on the ratios. No breach of covenants have occurred.

Notes

22. Financial risk management (continued)

Maturity analysis

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 5 year	More than 5 years	Total
Non-derivatives	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>
As at 30.09.2021				
Subordinated loan from group companies	0	227.328	0	227.328
Mortgage loans	819	2.858	813	4.490
Credit institutions	46.408	1.062.565	0	1.108.973
Loans from group companies	0	0	0	0
Provisions	38.197	0	0	38.197
Trade payables	93.089	0	0	93.089
Current income tax liabilities	8.165	12.584	0	20.749
Lease obligations	90.630	135.044	0	225.674
Other payables	96.172	4.540	0	100.712
	<u>373.479</u>	<u>1.444.919</u>	<u>813</u>	<u>1.819.211</u>
As at 30.09.2020				
Subordinated loan from group companies	0	232.016	0	232.016
Mortgage loans	801	2.854	1.645	5.299
Credit institutions	439.257	0	0	439.257
Loans from group companies	0	348.831	0	348.831
Provisions	24.971	0	0	24.971
Trade payables	72.562	0	0	72.562
Current income tax liabilities	13.102	10.780	0	23.882
Lease obligations	71.975	149.767	0	221.742
Other payables	67.372	0	1.463	68.835
	<u>690.040</u>	<u>744.247</u>	<u>3.108</u>	<u>1.437.396</u>

Measurement and fair value hierarchy

All financial assets and liabilities are measured at cost or amortized cost. The carrying amounts for these approximate fair value.

There are no financial derivatives used in 2020/21 or 2019/20.

Financial loan conditions

Subordinated loan from group companies are subordinated to other lenders. The interest rate is 12 % and interest is accrued, not paid.

Notes

22. Financial risk management (continued)

Financial loan conditions

As the previous loan agreement expired in 2021, the group has entered into a new loan agreement during the financial year, why the debt is now presented as long-term debt. The interest rate on the new loan agreement is 7,75% and the new loan agreement contains loan covenants.

Other loans from group companies in 2019/20 have been provided on loan agreements with interest rate of 10-15% dependent on covenants. Interest is accrued, not paid. Those loans are repaid in 2020/21 as well and refinanced with the new credit agreement in the financial year 2020/21.

23. Fee to auditors appointed at the general meeting

	2020/21	2019/20
	TDKK	TDKK
Audit fee to PwC	768	601
Tax advisory services	57	72
Non-audit services	2.361	1.719
	3.186	2.392

Notes

	2020/21	2019/20
	TDKK	TDKK
24. Cash flow statements - Adjustments		
Finance income and costs, cash and non-cash items	105.283	96.851
Tax for the year	20.787	14.020
Depreciation	88.386	72.881
Net profit/loss from sale of property, plant and equipment	-1.310	-2.791
	213.146	180.961
	2020/21	2019/20
	TDKK	TDKK
25. Cash flow statements - Changes in net working capital		
Changes in inventories	24	924
Changes in receivables	(17.572)	23.039
Changes in Provisions	4.768	409
Changes in trade and other payables	8.759	14.942
	(4.021)	39.314
	2020/21	2019/20
	TDKK	TDKK
26. Cash flow statements - Net Debt		
Cash and cash equivalents	147.906	148.598
Borrowings	(823.180)	(423.359)
Lease obligations	(216.465)	(211.731)
Subordinated loan and loan from group companies	(174.962)	(492.622)
	(1.066.701)	(979.114)

Notes

26. Cash flow statements - Net Debt (continued)

	Cash and cash equi- valents	Borrowings	Lease obli- gations	Subordinate d loan and loan from group companies	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Net debt at 01.10.2019	69.230	(385.850)	(234.131)	(445.107)	(995.858)
Cash flows	79.368	(29.841)	22.400	0	71.927
Acquisitions - non cash changes	0	0	0	0	0
Other changes - non cash changes	0	(7.668)	0	(47.515)	(55.183)
Net debt at 30.09.2020	148.598	(423.359)	(211.731)	(492.622)	(979.114)
Cash flows	(1.937)	(382.341)	(4.172)	336.421	(52.029)
Acquisitions - non cash changes	1.245	0	(562)	0	683
Other changes - non cash changes	0	(17.480)	0	(18.761)	(36.241)
Net debt at 30.09.2021	147.906	(823.180)	(216.465)	(174.962)	(1.066.701)

Non-cash transactions

The group has the following non-cash financing activities:

	2020/21 TDKK	2019/20 TDKK
Interests on subordinated loans and loan from group companies	18.761	47.515
Interests on loan from credit institutions, not paid	17.480	7.668
	36.241	55.183

Notes

27. Share based payments

Employee share scheme

Reconor Holding ApS (Parent company) and certain executive managers and other key employees of the Reconor Group, has entered into a share scheme. Employees included in the share scheme are given the opportunity to purchase shares in the group company MH Gruppen MidCo ApS for a cash consideration of fair value of the shares.

In case of an employee's departure, the company is entitled, but not restricted, to repurchase all shares from the departing employee.

The original share scheme was approved by the shareholders at 26 November 2015.

	2020/21	2019/20
	Nominal value	Nominal value
	TDKK	TDKK
As at 1 October	1.077	327
Shares purchased at fair value	1.900	750
Shares repurchased at fair value	(3.521)	0
Capital increase	0	0
As at 30 September	(544)	1.077

The fair value of the shares has been based on a valuation of the company.

28. Events after the balance sheet date

After year end Reconor have been approached by Copenhagen harbour that together with the Danish Authorities have started op a process where there are expropriating a part of Norrecco´s production site at Prøvestenen. To accommodate the authorities right to take over the land Norrecco have moved their production from the area. Reconor Group are in dialog with Copenhagen Harbour to get a compensation for their Expropriation.

Besides the above no significant events have occurred after the reporting period.

Notes

29. List of companies

Name	Place of Registered Office	CVR number	Vote and Ownership	Share Capital TDKK	Equity TDKK	Net profit/loss before tax 2020/21 TDKK	Business area
<i>Parent company:</i>							
Reconor A/S	Farum, Denmark	3671 9176	100%	12.537	(38.754)	(69.318)	Other
<i>Subsidiaries:</i>							
City Container Danmark A/S	Lynge, Denmark	2628 3647	100%	11.000	150.421	33.626	Logistics
City Container A/S	Lynge, Denmark	3176 6273	100%	42.000	50.696	821	Logistics
City Container Fyn A/S	Odense, Denmark	2871 4041	100%	500	9.717	(597)	Logistics
City Container Jylland A/S	Kolding, Denmark	2112 1991	100%	500	10.765	332	Logistics
Norrecco A/S	Copenhagen, Denmark	3051 8438	100%	20.000	179.563	37.436	Resources
Norrecco Agerskov A/S	Agerskov, Denmark	2716 9538	100%	500	38.867	10.028	Resources
Mijodan Ejendomme ApS	Agerskov, Denmark	3779 6328	100%	50	570	34	Resources
Norrecco Uge ApS	Agerskov, Denmark	3205 8760	100%	125	18.384	2.806	Resources
Hedegaard Miljø A/S	Nyborg, Danmark	3051 2391	100%	500	14.478	7.020	Resources
Sten & Grus Prøvestenen A/S	Copenhagen, Denmark	8964 6413	100%	17.160	(2.697)	(3.875)	Resources

The amounts stated above is based on the latest annual report ending 30 September 2021.

Statement of profit and loss (Parent company) 1 October - 30 September

	<u>Notes</u>	<u>2020/21 TDKK</u>	<u>2019/20 TDKK</u>
Gross profit/loss		8.399	8.016
Staff expenses	2	(20.288)	(17.625)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		(1.593)	(1.161)
Profit/loss before financial income and expense		(13.482)	(10.770)
Income from investments in subsidiaries	3	32.020	29.170
Finance income	4	231	43
Finance costs	5	(91.707)	(84.602)
Profit/loss before tax		(72.938)	(66.159)
Income tax	6	3.620	7.148
Profit/loss for the period		(69.318)	(59.011)
Distribution of profit			
Retained earnings		(69.318)	(59.011)
		(69.318)	(59.011)

Balance sheet (Parent company) 30 September

Assets

	<u>Notes</u>	<u>2020/21</u> <u>TDKK</u>	<u>2019/20</u> <u>TDKK</u>
Software		4.977	6.219
Intangible assets	7	4.977	6.219
Other fixtures and fittings, tools and equipment		763	761
Property, plant and equipment	8	763	761
Investments in subsidiaries	9	944.888	928.568
Receivables from group enterprises		116.413	0
Fixed assets investments		1.061.301	928.568
Fixed assets		1.067.041	935.548
Receivables from group enterprises		88.121	84.659
Other receivables		144	0
Deferred tax asset	10	0	1.575
Corporation tax		11.542	12.814
Prepayments		462	535
Receivables		100.269	99.583
Cash and cash equivalents		73.288	0
Current assets		173.557	99.583
Total assets		1.240.598	1.035.131

Balance sheet (Parent company) 30 September

Liabilities

	<u>Notes</u>	<u>2020/21 TDKK</u>	<u>2019/20 TDKK</u>
Share capital		12.537	12.537
Retained earnings		(51.291)	18.027
Total equity		(38.754)	30.564
Credit institutions	11	812.323	0
Deferred tax liabilities	10	642	0
Payables to group enterprises	11	174.963	450.593
Total non-current liabilities		987.928	450.593
Credit institutions	11	19.094	415.478
Trade payables	11	2.679	1.495
Payables to group enterprises	11	250.011	128.372
Other payables	11	19.640	8.629
Total current liabilities		291.424	553.974
Total liabilities		1.279.352	1.004.567
Total equity and liabilities		1.240.598	1.035.131

Statement of Changes in Equity (Parent company)

	Share capital TDKK	Share premium account TDKK	Retained earnings TDKK	Total TDKK
Equity at 01.10.2019	12.537	0	77.038	89.575
Net profit/loss for the year	0	0	(59.011)	(59.011)
Equity at 30.09.2020	12.537	0	18.027	30.564
Net profit/loss for the year	0	0	(69.318)	(69.318)
Total profit for the period	0	0	(69.318)	(69.318)
Equity at 30.09.2021	12.537	0	(51.291)	(38.754)

Notes (Parent company)

1. Accounting policies
2. Staff costs
3. Income from investments in subsidiaries
4. Financial income
5. Financial expenses
6. Tax on profit for the year
7. Intangible assets
8. Property, plant and equipment
9. Investments in subsidiaries
10. Deferred tax
11. Maturity of liabilities
12. Contingent assets, liabilities and other financial obligations
13. Related parties

Notes

1. Accounting policies

General

The Annual Report of Reconor A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020/21 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement. Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably. Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Income statement

Revenue

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes

1. Accounting policies (continued)

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Notes

1. Accounting policies (continued)

Balance sheet

Intangible assets

Development projects, patents and licences:

Software is measured at cost less accumulated depreciation. Software is depreciated on a straightline basis over the useful life, which is estimated at 3-5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses. Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years
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Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, the asset is written down to its lower recoverable amount.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively. Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity. Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Notes

1. Accounting policies (continued)

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The items "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Notes

	2020/21	2019/20
	TDKK	TDKK
2. Staff costs		
Wages and salaries	15.765	15.264
Pensions	972	964
Other social security costs	166	120
Other staff costs	3.385	1.277
	20.288	17.625
Average number of employees	21	14
3. Income from investments in subsidiaries		
Share of profits/losses from subsidiaries	72.214	69.364
Amortisation of goodwill	(40.194)	(40.194)
	32.020	29.170
4. Financial income		
Interest received from group enterprises	177	36
Other financial income	54	7
	231	43
5. Financial expenses		
Interest paid to group enterprises	41.181	44.041
Other financial expenses	50.526	40.561
	91.707	84.602
6. Tax on profit for the year		
Current tax on profits for the year	(5.837)	(5.703)
Current tax on profits for previous years	2.217	(1.445)
	(3.620)	(7.148)

Notes**7. Intangible assets**

	Software TDKK
Cost at 1. October	8.454
Additions for the year	1.634
	(1.630)
Cost at 30 September	8.458
Impairment losses and amortisation at 1 October	2.235
Amortisation for the year	1.246
Impairment losses and amortisation at 30 September	3.481
Carrying amount at 30 September	4.977
Amortised over	<u>3-5 years</u>

8. Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK
Cost at 1. October	1.056
Additions for the year	349
Cost at 30 September	1.405
Impairment losses and amortisation at 1 October	295
Amortisation for the year	347
Impairment losses and amortisation at 30 September	642
Carrying amount at 30 September	763
Depreciated over	<u>3-5 years</u>

Notes

	2020/21	2019/20
	TDKK	TDKK
9. Investments in subsidiaries		
Cost at 1. October	1.249.410	1.249.410
	1.249.410	1.249.410
Value adjustments at 1 October	(320.842)	(350.012)
Net profit/loss for the year	72.214	69.364
Dividend to the Parent Company	(15.700)	0
Depreciation Goodwill	(40.194)	(40.194)
	(304.522)	(320.842)
Equity investments with negative net asset value transferred to provisions	0	0
Carrying amount at 30 September	944.888	928.568
Including goodwill	553.444	593.638

Investments in subsidiaries are specified as follows:

Name of company	Place of Registered Office	Share Capital	Vote and Ownership
City Container A/S	Lyngø, Denmark	42.000	100%
City Container Danmark A/S	Lyngø, Denmark	11.000	100%
City Container Jylland A/S	Kolding, Denmark	500	100%
Norrecco A/S	Copenhagen, Denmark	20.000	100%

Notes

	2020/21	2019/20
	TDKK	TDKK
10. Deferred tax		
Deferred tax relates to:		
Intangible assets	(1.095)	(1.368)
Property, plant and equipment	10	(7)
Amortisation	0	0
Financial contracts		
Amortisation expenses	443	2.950
Transferred to deferred tax asset	0	(1.575)
	(642)	0
Of which presented as deferred tax assets	0	(1.575)
Of which presented as deferred tax liabilities	(642)	0

11. Maturity of liabilities

	Less than 1	Between 1	More than 5	Total
	year	and 5 year	years	
	TDKK	TDKK	TDKK	TDKK
Maturity on long-term debt				
As at 30.09.2021				
Credit institutions	19.094	812.323	0	831.417
Payables to group enterprises	250.011	174.963	0	424.974
Trade payables	2.679	0	0	2.679
Other payables	19.636	0	0	19.636
	291.420	987.286	0	1.278.706
As at 30.09.2019				
Credit institutions	415.478	0	0	415.478
Payables to group enterprises	128.372	450.593	0	578.965
Trade payables	1.495	0	0	1.495
Other payables	8.629	0	0	8.629
	553.974	450.593	0	1.004.567

Notes

12. Contingent assets, liabilities and other financial obligations

	2020/21	2019/20
	TDKK	TDKK
<i>Charges and security</i>		
The following assets have been placed as security with credit institutions:		
Investments in subsidiaries with a booked value of	944.888	928.568

Contingent liabilities

The company is jointly taxed with other group companies. The companies are jointly and severally liable for tax on the Group's jointly taxed income etc. The total tax amount is shown in the annual report of Reconor Holding ApS, which is management company in the group payment of tax in Denmark.

Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

13. Related parties

Transactions

Transactions with related parties during the financial year have been made on an arm's length basis.

Subordination letter

The Company has issued a subordination letter to all subsidiaries in the Reconor A/S Group. The letter is effective until 1 October 2022.