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Genan Holding A/S

Jegindøvej 16
8800 Vibog
CVR No. 36557656

Annual report 2022

The Annual General Meeting adopted the annual report on 25.04.2023

Christian Kirkegaard Madsen
Chairman of the General Meeting

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Entity details

Entity
Genan Holding A/S
Jegindøvej 16
8800 Viborg

Business Registration No.: 36557656
Date of foundation: 25.02.2015
Registered office: Viborg
Financial year: 01.01.2022 - 31.12.2022

Board of Directors
Christian Jørgensen, Chairman
Susanne Kure
Mads Peter Hytteballe Andersen
Michael Lundgaard Thomsen
Eva Jensen

Executive Board
Poul Steen Rasmussen, CEO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

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

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

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

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

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

Viborg, 25.04.2023

Executive Board

Poul Steen Rasmussen
CEO

Board of Directors

Christian Jørgensen
Chairman

Susanne Kure

Mads Peter Hytteballe Andersen

Michael Lundgaard Thomsen

Eva Jensen

Independent auditor's report

To the shareholders of Genan Holding A/S

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor’s responsibilities for the audit of the consolidated financial statements and the parent financial statements" section of this auditor’s report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in

Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Aarhus, 25.04.2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Michael Bach
State Authorised Public Accountant
Identification No (MNE) mne19691

Chris Middelhede
State Authorised Public Accountant
Identification No (MNE) mne45823

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures					
Revenue	470,399	449,736	364,589	389,581	341,198
Gross profit/loss	86,547	110,456	114,243	119,954	117,790
EBITDA	46,046	83,706	87,746	89,527	75,371
Operating profit/loss	5,566	42,644	46,410	52,776	43,082
Net financials	(2,262)	(1,681)	(16,688)	(6,635)	(3,897)
Profit/loss for the year	11,151	25,788	63,222	46,141	39,185
Profit for the year excl. minority interests	9,257	22,399	58,125	42,696	38,128
Balance sheet total	722,674	743,032	808,067	770,217	688,492
Investments in property, plant and equipment	16,614	18,976	37,864	34,029	12,256
Equity	389,407	366,240	430,590	383,375	332,894
Equity excl. minority interests	379,725	358,452	422,766	380,648	333,612
Ratios					
Gross margin (%)	18.40	24.56	31.33	30.79	34.52
Net margin (%)	2.37	5.73	17.34	11.84	11.48
Equity ratio (%)	52.54	48.24	52.32	49.42	48.46

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.
In 2020 a deferred tax assets of DKK 33.5 million has been recognized, and in 2022 a deferred tax assets of DKK 11.5 million has been recognized, which impact the key figures and ratios

Gross margin (%):
Gross profit/loss * 100
Revenue

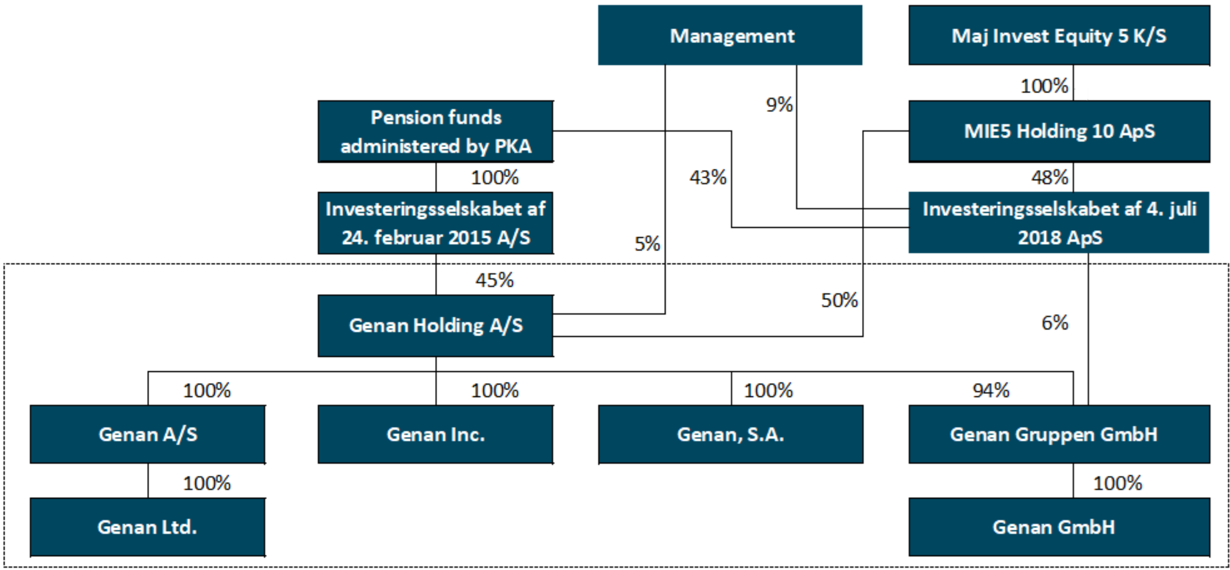
Net margin (%):
Profit/loss for the year * 100
Revenue

Equity ratio (%):
Equity excl. minority interests * 100
Balance sheet total

Primary activities

The main activity of the Genan group is the production and sale of rubber powder, granulates and pellets manufactured through the recycling of tyres and activities closely connected hereto.

Group structure as per 31 December 2022:



Genan Holding A/S is the parent company of the Genan group.

The Genan group operates six tyre recycling plants around the globe: one in Denmark, three in Germany, one in Portugal and one in the USA. In total, Genan employs approx. 320 employees worldwide. Total production capacity is more than 400,000 tonnes of end-of-life tyres (ELT), equivalent to a maximum output of approx. 295,000 tonnes of rubber products, 60,000 tonnes of steel and 45,000 tonnes of textile fibres.

Development in activities and finances

The net result for the year was DKK 11.2 million, and the equity excluding minorities hereafter amounts to DKK 389.4 million, equalling an equity ratio of 53.9%.

Revenue developed positively in 2022, showing a 5% increase. This was a result of a positive development in the sale of rubber products, whereas steel income decreased in comparison with 2021 because of lower volume. Despite the positive impact on revenue, gross margin decreased from 24.6 in 2021 to 18.4% in 2022. This because of both extremely high energy costs and freight costs – in relation to overland transportation as well as sea freight.

As in previous years, the result for the year was impacted by exchange rate adjustments, primarily in relation to USD; and as in 2021, impact in 2022 was positive. A re-evaluation of the deferred tax asset was made in 2022, resulting in a positive impact on tax of DKK 7.8 million.

Management considers the result to be unsatisfactory and considers the year 2022 to have been extraordinary; especially with regard to the extreme energy costs seen in August and September.

The strategic focus of the group is to continue to optimise and develop core business, i.e. the production and sale of recycled ELT rubber products. Besides this business area, the group will continue to focus on the development of refined products (custom products and alternative areas of application) which, when developed, are expected to bring the group in a positive direction. However, focus will primarily be on products closely related to the core competences of the group, which is granulate production. The development of custom products and new areas of application is progressing as planned and will continue in the years to come.

The parent company has no real operating activities besides being the holding company.

Profit/loss for the year in relation to expected developments

As expected, 2022 was a very unpredictable year. Energy prices, freight rates and raw material prices increased dramatically because of the war in Ukraine, which had considerable negative impact on Genan's profit/loss account. Genan is an energy-intensive production company, and the skyrocketing energy prices in Europe thus had great negative impact – although part of the energy costs was offset through an energy surcharge added to both intake and end products. The result for the year was thus significantly lower than for the previous years – even though exchange rate adjustments and adjustment to the deferred tax asset had positive impact on the net result.

Outlook

The outlook for 2023 is still marked by great uncertainty, although energy prices seem to be stabilising at a lower level than in 2022 – yet still at a historically high level. On the other hand, the global inflation crisis, the consequently increasing interests and thus the risk of recession make it very difficult to predict the development in 2023. The 2023 budget shows a result slightly higher than for 2022 – but with a significant increase on EBITDA, although lower than the level achieved in 2018-2021. The 2023 result for Genan will thus depend on both the ability to reflect the high level of costs in the sales prices and on continuously high steel prices – to compensate for the negative impact of high energy prices, inflation and freight rates.

Research and development activities

Product development is an important element in the strategy of the Genan group. This goes for the applications of existing products as well as for the development of new, value-added products based on rubber granulate and rubber powder. The development of these value-added products is time-consuming in both the development phase and the market penetration phase – but in the long run, such value-added products are expected to bring the group in a positive direction. In 2022, these activities developed in a very positive direction, and in 2023, these new products are expected to yield revenue.

Statutory report on corporate social responsibility

In a Danish context, Corporate Social Responsibility (CSR) is defined in section 99a of the Danish Financial Statements Act, according to which large companies are required to provide a non-financial statement accounting for environmental considerations, including the company's efforts to reduce the climate impact of company activities, social responsibility, working conditions as well as considerations in relation to the respect for human rights and the prevention of bribery and corruption.

Genan has based its CSR Policy on – and supports – all 17 Sustainable Development Goals of the UN to transform the world. Genan's core business concept is mainly focused on the endeavours to reach goal no. 12 (to ensure sustainable consumption and sustainable production patterns) as well as goal no. 13 (to take urgent action to combat climate change and its impacts).

In 2022, Genan successfully qualified for the following ISO certifications at global level:

450001:2018 – Occupational Safety
50001:2018 – Energy
14001:2015 – Environment
9001:2015 – Quality

The Genan CSR Policy can be found on the group website: www.genan.com.

The CSR Policy contains information about policies for and activities and risks related to the following areas:

- Human rights and business ethics
- Staff and working conditions
- Social responsibility
- Environmental and climate-related considerations

Basic business model
Genan's basic business concept is to process a waste stream – end-of-life tyres – into new, valuable raw materials (secondary raw materials / raw materials from recycling), the quality of which is so high that they can substitute virgin rubber and steel.

When end-of-life tyres are processed into new rubber and steel by means of Genan technology, environmental and climate problems, which would otherwise arise, if tyres were deposited in landfills or incinerated, are avoided.

The whole raison d'être of Genan is thus completely and deeply rooted in the principles of sustainability and circular economy. When Genan produces secondary raw material in the form of rubber and steel, production of new rubber and steel at rubber plantations and through iron ore mining respectively is avoided.
For many years, the deforestation of jungle and rain forest areas to make room for new rubber plantations, primarily in Asia, has been considered a big problem in relation to both loss of biodiversity and the reduction of CO2 absorption from the atmosphere. Similarly, iron ore mining results in environmental problems with wastewater, slag as well as consumption of the limited resources of the planet. By reusing the raw materials from end-of-life tyres to substitute new rubber and steel, Genan thus contributes to the promotion of environmental responsibility and the furthering of environmentally and climate friendly technologies.

Environmental and climate-related considerations
Genan's policy
Genan shall continuously take initiative to the greatest responsibility possible in respect of climate and environment – and take a precautionary approach in these matters. Taking its own business interests into account, Genan bears a global responsibility to disseminate technological expertise and knowhow about the optimum, environmental recycling of end-of-life tyres – thus furthering global, circular economy. Genan is committed to continuously assessing its climate-related and environmental footprint, using the most renowned research as well as independent peer review of results. Genan is transparent in relation to environmental and climate-related matters. As Genan processes a waste stream (end-of-life tyres), Genan has furthermore committed itself not to export waste in the form of unprocessed tyres – but only process high-quality secondary raw materials.

Implementation

Genan is in continuous and transparent dialogue with authorities, NGOs and business partners concerning environmental and climate-related issues. Genan initiates quality research – and in 2020, Genan published a comprehensive and peer reviewed LCA study. In this study, the climate and environmental footprint of the company was analysed in relation to 16 different impact categories – including global warming, where a conservative approach has ascertained that for each tonne of tyres recycled instead of incinerated, the climate is spared the emission of minimum 700 kg of CO2 equivalents. The six Genan factories thus have the capacity to reduce annual CO2 emission to the atmosphere by minimum 280,000 tonnes of CO2.

In addition to this, Genan made a comprehensive carbon footprint cradle-to-gate study in 2021 – verified by an independent, scientific third party. This cradle-to-gate study analyses the carbon footprint of the output fractions from the Genan plants for use in the customers' own carbon footprint calculations, when they substitute virgin materials with recycled products from Genan. With this study, Genan increased transparency in relation to environmental impact.

The carbon footprint cradle-to-gate study shows that the recycling processes at Genan make up the majority of the total cradle-to-gate footprint. Transport processes are responsible for less than 10% of the total, and sales packaging accounts for the remaining around 5% of the carbon footprint.

In the continuous effort to improve our climate footprint, Genan works purposefully to protect the environment, and we strive to make environmentally friendly choices in our day-to-day operations. As part of producing as environmentally friendly as possible, all Genan's factories have implemented the ISO 14001 Environmental Management System. Central elements of ISO 14001 are to produce in an environmentally sound manner and to ensure a continuous improvement of the environmental impact. In addition, all Genan's factories have implemented the ISO 50001 Energy Management System in 2021 as part of the ongoing energy optimisation of production. Key elements in this are to screen possible energy optimisation projects and continuously implement these.

Risks

Running a process industry will inevitably involve environmental impact, as such industry is energy-consuming.

Furthermore, there is a risk of negative impact on CO2 emissions from the transport of materials – both raw material to the factories and finished products to the customers.

Results and future expectations

In 2022, the energy consumption of Genan was negatively impacted by the war in Ukraine and the consequent, extreme energy prices. It was thus not possible to run the production as steadily as usual, meaning that – in terms of energy consumption – operation was not optimal. Instead, the European production was characterised by a large number of shutdowns when energy prices skyrocketed – and subsequent power-ups. These standstills led to considerable energy consumption when restarting the production. However, from both a financial perspective and a societal point of view, the production had to be run like that, Genan being of the energy-intensive companies able to shut down production when energy demand exceeds supply – as opposed to many other companies within the process industry. The result of this approach was that energy consumption per tonne produced increased by 11.3%. From a financial point of view, however, energy costs were kept down despite higher energy consumption, as operation was scheduled for hours when energy demand matched energy supply to a greater extent

In 2023, Genan will remain focused on reducing its environmental footprint by producing as energy-efficiently as possible and continue to implement energy optimisation projects in the production.

In 2023, Genan will furthermore continue its endeavours to implement renewable energies. One plant will start producing with energy from its own solar panels, and expectations are that Genan will contract to install sizeable solar plants at its own premises during 2023. Furthermore, throughout 2023, Genan will work on agreements for the supply of green energy to several of its plants through Power Purchase Agreements (PPA).

Staff and working conditions

Genan's policy

Unlimited freedom of association is upheld at all Genan's factories, and each employee is free to choose his/her own affiliation.

Genan management recognises the right to collective bargaining with employees.

Genan has zero tolerance in relation to both forced labour and child labour – at Genan’s own workplaces as well as at the workplaces of suppliers. Zero tolerance is furthermore shown in respect of discrimination on the basis of race, gender, religion or sexual orientation.
For both management and staff, workplace safety and the prevention of occupational injury have first priority. Genan’s overall target is zero work-related accidents at all the workplaces of the company.

Implementation

Enforcement of policies about employee rights and discrimination is part of Genan’s ongoing management development. A Code of Conduct has been implemented which both employees, customers and suppliers must comply with. Genan has furthermore set up a whistleblower scheme, through which confidential reporting can be made to an external law firm with expertise in whistleblower schemes. Reports can be submitted anonymously, should a whistleblower wish to do so. Not only employees but anyone associated with Genan can use the scheme – e.g. suppliers, customers and business associates. Throughout 2022, no violations of Genan’s policies have been noted in relation to staff and working conditions – neither in daily operations nor through the whistleblower scheme.

Workplace safety is monitored through an extensive reporting system – at each individual workplace as well as at overall management level – where work-related accidents categorised as TF1 and TF2 (no. of accidents per 1 million hours worked) are registered in the same way as are monthly, financial results.

Risks

The main risks are related to work-related accidents and employees wearing down in physically demanding jobs.

Results and future expectations

Despite focus on reducing the number of work-related accidents, the development at Genan was unfortunately negative in 2022, where the number of work-related accidents categorised as TF1 and TF2 (no. of accidents per 1 million hours worked) increased from 9.7 in 2021 to 15.1 in 2022. With a target to reduce the number of work-related accidents by 50% compared to 2021, this was a very negative development. As the majority of accidents happened in connection with the same process in the production, many resources have been channelled into prevention measures and training of staff – to prevent such accidents from happening in the future. Considering the negative development in 2022, management has decided to keep the same target as in 2021 for 2023, which is to reduce the number of work-related accidents by 50% compared to the previous year. Target for 2023 is thus 7.6 TF1/TF2 incidents. Hence, the development in the number of work-related accidents has decreased for a long period of time up till 2022, and with the continued focus on prevention measures and training of staff, management is confident that it is possible to get back on track in 2023, with a reduction in the number of work-related accidents. Until this date, no work-related accidents have occurred in 2023.

Human rights and business ethics

Genan's policy

Genan supports and respects the protection of internationally proclaimed human rights – and in its daily operations, Genan ensures not to contribute to the violation of these rights.

Implementation

Respect for human rights is part of Genan's corporate culture – and is continuously discussed among management and employees. Through its choice of suppliers, Genan ensures only to work with business partners who share the company's values in this respect. Consequently, to qualify to supply to Genan, all suppliers are now required to confirm that they comply with Genan's Code of Conduct by returning a signed declaration.

Human rights violations are not considered to be a high-risk area for Genan, as there is only very limited sourcing from high-risk areas. When receiving quotations from suppliers from high-risk areas, Genan always requests documentation of compliance with human rights. This is also an integral part of Genan's ISO 9001 quality management system, which is implemented at all factories. Similarly, when entering into such agreements, the Group COO is always involved.

Risks

Genan risks that either employees and/or suppliers fail to respect and comply with Genan's policy on human rights and business ethics. Apart from the fact that violation of human rights is totally unacceptable from a business ethics point of view, such violation could, at worst, also have legal and financial consequences for Genan.

Results and future expectations

There have been no examples of criticisable circumstances in relation to human rights in ongoing operations during 2022. In 2023, we will continue our efforts in relation to human rights – and endeavour to ensure that the positive picture for 2022 will be painted in 2023 as well. Furthermore, as mentioned above, a Code of Conduct has been implemented, and no suppliers should be able to supply to Genan without signing a declaration of compliance.

Anti-corruption

Genan's policy

Genan has zero tolerance in relation to any kind of corruption, extortion or bribery. This applies both ways in relation to both authorities, customers and suppliers.

Implementation

The policy of zero tolerance in relation to corrupt conduct has been communicated at all levels of the organisation – now also through Genan's Code of Conduct. Furthermore, Genan has implemented a "four-eyes-principle" which ensures that no purchases nor payments can be handled by one person only – but always involve at least two persons. In the same way, the extent to which sales staff can commit the company towards third parties has been determined. Violation of Genan's policy in relation to anti-corruption shall have consequences for the employment of the violator in question.

Risks
Genan risks that either employees, suppliers or customers fail to comply with Genan's policy on anti-corruption.

Results and future expectations
In 2022, no violations were noted in relation to the zero-tolerance policy on corruption – neither in daily operations nor through the whistleblower scheme. In 2023, Genan will continue efforts in relation to anti-corruption, expecting no violations in 2023 either.

Statutory report on the underrepresented gender

The Genan CSR Policy contains information about and targets for the gender composition of the Board of Directors. The target set for the underrepresented gender on the Board of Directors was set to 40% in 2022, in order to comply with the recommendation of the Danish Business Authority. By the end of 2022, Genan accomplished to reach this target with a representation of 40% women and 60% men – counting two women and three men on the Board of Directors.

For 2023, Genan's target for the underrepresented gender remains 40%.

A target for the gender composition of the Genan Extended Management Team has also been set. For 2022, this target was 25% of the underrepresented gender. In general, the historical overrepresentation of men in Genan shows in the gender composition of staff. In 2022, 16% of the total workforce were women (13% in 2021).

Targeted efforts are made in order to increase the proportion of women at management level. All job postings are phrased, so they are gender-neutral; and equal terms are offered in relation to management development courses and promotions.

Within the management group, discussions about management diversity are ongoing, and the strength of such diversity is expressed at all levels in the organisation.

In 2022, Genan more than reached its target with a 26% representation of the underrepresented gender in the company's Extended Management Team – compared to 23% in 2021 and 22% in 2020. Thus, having managed to achieve its 2022 target, Genan has decided to increase its target to 30% for 2023.

With this year's reporting on gender composition, Genan Holding A/S complies with the requirements under section 99(b) of the Danish Financial Statements Act.

Statutory report on data ethics policy

Genan has supplemented the group's existing data protection efforts with a policy on data ethics, which reflects Genan's commitment to the responsible management of data – based on the principles of honesty, transparency and accountability. Genan adheres to these principles in addition to applicable legislation to ensure that employees, customers, suppliers and consumers feel safe when entrusting the group with their data.
The Genan Data Ethics Policy can be found on the group website: www.genan.com.

With this year's reporting on our Data Ethics Policy, Genan Holding A/S complies with the requirements under section 99(d) of the Danish Financial Statements Act.

Statutory report on corporate governance

Genan Holding A/S is owned by the majority owner MIE5 Holding 10 ApS (50%), Pension funds administered by PKA (via Investeringsselskabet af 24. februar 2015 A/S) and Management of Genan Holding A/S. MIE5 Holding 10 ApS is owned 100% by the Danish private equity fund Maj Invest Equity 5 K/S.

Maj Invest Equity 5 K/S is a member of Aktive Ejere (former DVCA, Danish Venture Capital and Private Equity Association), and as a private equity majority owned portfolio company, Genan Holding A/S generally follows Aktive Ejere's recommendations, except that the company based on its size, has not established an audit committee. These tasks are handled by the Board.

We are referring to www.aktiveejere.dk for more information about the guidelines.

The annual report of Genan Holding A/S can be found on the website genan.eu.

Development in the total workforce:
The Group had 320 employees at the beginning of the year split by 74 employees in Denmark and 246 in rest of the world. In the year there has been a net outflow of five employees split by an outflow of ten in Denmark and an inflow of five in rest of the world.

Board of Directors and Executive Board:
Genan Holding A/S' Board of Directors and Executive Board always aim at ensuring that the Group's management structure and control systems are appropriate and function satisfactorily. Management assesses on an ongoing basis whether this is the case. Management's duties are among other things based on the Danish Companies Act, the Danish Financial Statements Act, the Company's Articles of Association as well as good practice for enterprises of the same size and with the same international reach as Genan Holding A/S.

The Board of Directors of Genan Holding A/S holds meetings according to a fixed schedule at least 5 times a year. A strategy seminar is usually held once a year. In the period between the ordinary meetings of the Board of Directors, the Board of Directors receive, on a regular basis, written information on the Company's and the Group's results of operation and financial position.

The Board of Directors' and the Executive Board's directorships in other companies are disclosed below.

Christian Jørgensen, chairman
Executive Director of IPU Komplementar ApS. In addition, chairman of Investeringsselskabet af 24. februar 2015 A/S and board member of IPU P/S, IPU Komplementar ApS, IPU Fonden and Coala-life Group AB.

Mads Peter Hytteballe Andersen, partner in Maj Invest Equity
Executive Director of MPHA Invest ApS. In addition, director, board member or chairman of board of directors of several portfolio companies and holding companies owned by Maj Invest Equity 5 K/S.

Susanne Kure
Board member of KommuneKredit, UCPH Ventures A/S, PSV Management Tech Fund I ApS, PreSeed Ventures A/S, Farmakonomernes Ejendomsaktieselskab, Pension for farmakonomer, Investeringsselskabet af 24. februar 2015 A/S, Pensionkassen for socialrådgivere, socialpædagoger og kontorpersonale, PKA+Pension Forsikringsselskab A/S and Socialrådgivernes, socialpædagogernes og kontorpersonalets ejendomsaktieselskab.

Michael Lundgaard Thomsen
Executive director of Aalborg Portland A/S. In addition chairman in Aalborg Portland Subsidaries in Iceland, Belgium, France and Poland and board member of DI, Fonden Musikkens Hus i Nordjylland, Kitron ASA and Erhverv Norddanmark.

Eva Jensen
Board member of Emergency Architecture & Human Rights.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Revenue		470,399	449,736
Production costs		(383,852)	(339,280)
Gross profit/loss		**86,547**	**110,456**
Distribution costs		(23,940)	(21,545)
Administrative expenses	1	(57,041)	(65,434)
Other operating income	4	0	19,167
Operating profit/loss		**5,566**	**42,644**
Other financial income		5,399	6,774
Other financial expenses		(7,661)	(8,455)
Profit/loss before tax		**3,304**	**40,963**
Tax on profit/loss for the year	5	7,847	(15,175)
Profit/loss for the year	6	**11,151**	**25,788**

Consolidated balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Acquired intangible assets		362	715
Goodwill		19,930	23,293
Intangible assets	7	**20,292**	**24,008**
Land and buildings		237,335	239,830
Plant and machinery		166,399	175,094
Other fixtures and fittings, tools and equipment		26,632	29,974
Property, plant and equipment in progress		9,280	4,110
Property, plant and equipment	8	**439,646**	**449,008**
Other investments		125	125
Financial assets	9	**125**	**125**
Fixed assets		**460,063**	**473,141**
Raw materials and consumables		20,492	15,192
Work in progress		2,183	3,435
Manufactured goods and goods for resale		96,293	87,566
Inventories		**118,968**	**106,193**
Trade receivables		51,694	53,610
Deferred tax	10	29,477	21,500
Other receivables		38,534	34,411
Tax receivable		1,411	1,411
Receivables		**121,116**	**110,932**
Cash		**22,527**	**52,766**
Current assets		**262,611**	**269,891**
Assets		**722,674**	**743,032**

Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital		16,242	16,000
Other reserves		(10,094)	(10,094)
Retained earnings		373,577	352,546
Equity belonging to Parent's shareholders		**379,725**	**358,452**
Equity belonging to minority interests		**9,682**	**7,788**
Equity		**389,407**	**366,240**
Mortgage debt		7,975	12,547
Bank loans		185,782	0
Non-current liabilities other than provisions	11	**193,757**	**12,547**
Current portion of non-current liabilities other than provisions	11	29,196	258,297
Bank loans		27,310	0
Prepayments received from customers		3,439	5,926
Trade payables		27,808	24,204
Tax payable		0	2,480
Other payables		51,757	72,963
Deferred income	12	0	375
Current liabilities other than provisions		**139,510**	**364,245**
Liabilities other than provisions		**333,267**	**376,792**
Equity and liabilities		**722,674**	**743,032**
Staff costs	2		
Amortisation, depreciation and impairment losses	3		
Contingent liabilities	14		
Assets charged and collateral	15		
Transactions with related parties	16		
Group relations	17		
Subsidiaries	18		

Consolidated statement of changes in equity for 2022

	Contributed capital DKK'000	Other reserves DKK'000	Retained earnings DKK'000	Equity belonging to Parent's shareholders DKK'000	Equity belonging to minority interests DKK'000
Equity beginning of year	16,000	(10,094)	352,546	358,452	7,788
Increase of capital	242	0	4,765	5,007	0
Exchange rate adjustments	0	0	7,009	7,009	0
Profit/loss for the year	0	0	9,257	9,257	1,894
Equity end of year	**16,242**	**(10,094)**	**373,577**	**379,725**	**9,682**

	Total DKK'000
Equity beginning of year	366,240
Increase of capital	5,007
Exchange rate adjustments	7,009
Profit/loss for the year	11,151
Equity end of year	**389,407**

Consolidated cash flow statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Operating profit/loss		5,566	42,644
Amortisation, depreciation and impairment losses		40,480	41,062
Other provisions		0	(1,050)
Working capital changes	13	(40,980)	(14,058)
Cash flow from ordinary operating activities		**5,066**	**68,598**
Financial expenses paid		(2,261)	(8,316)
Taxes refunded/(paid)		(2,480)	0
Cash flows from operating activities		**325**	**60,282**
Acquisition etc. of property, plant and equipment		(16,614)	(19,024)
Sale of property, plant and equipment		774	429
Cash flows from investing activities		**(15,840)**	**(18,595)**
Free cash flows generated from operations and investments before financing		**(15,515)**	**41,687**
Loans raised		249,856	0
Repayments of loans etc.		(270,437)	(6,125)
Dividend paid		0	(96,051)
Cash capital increase		5,007	0
Cash flows from financing activities		**(15,574)**	**(102,176)**
Increase/decrease in cash and cash equivalents		**(31,089)**	**(60,489)**
Cash and cash equivalents beginning of year		52,766	112,065
Currency translation adjustments of cash and cash equivalents		850	1,190
Cash and cash equivalents end of year		**22,527**	**52,766**
Cash and cash equivalents at year-end are composed of:			
Cash		22,527	52,766
Cash and cash equivalents end of year		**22,527**	**52,766**

Notes to consolidated financial statements

1 Fees to the auditor appointed by the Annual General Meeting

	2022 DKK'000	2021 DKK'000
Statutory audit services	869	834
Other assurance engagements	53	52
Tax services	681	914
Other services	443	361
	2,046	**2,161**

2 Staff costs

	2022 DKK'000	2021 DKK'000
Wages and salaries	119,920	128,501
Pension costs	8,660	8,203
Other social security costs	13,164	12,005
Other staff costs	5,023	3,453
	146,767	**152,162**

Average number of full-time employees	**322**	**327**

	Remuneration of Management 2022 DKK'000	Remuneration of Management 2021 DKK'000
Total amount for management categories	4,125	10,163
	4,125	**10,163**

3 Depreciation, amortisation and impairment losses

	2022 DKK'000	2021 DKK'000
Amortisation of intangible assets	3,716	3,718
Depreciation on property, plant and equipment	37,511	37,121
Profit/loss from sale of intangible assets and property, plant and equipment	(747)	223
	40,480	**41,062**

4 Other operating income

Last year other operating income includes settlements with external parties.

5 Tax on profit/loss for the year

	2022 DKK'000	2021 DKK'000
Current tax	130	2,483
Change in deferred tax	(7,977)	12,000
Adjustment concerning previous years	0	692
	(7,847)	**15,175**

The effective tax rate for the year is affected by the fact that not all deferred tax assets in the Group is recognized in the balance. The profit and loss for 2022 is possitvly affected by recognition of a deferred tax assets of DKK 11.5 million.

6 Proposed distribution of profit/loss

	2022 DKK'000	2021 DKK'000
Retained earnings	9,257	22,399
Minority interests' share of profit/loss	1,894	3,389
	11,151	**25,788**

7 Intangible assets

	Acquired intangible assets DKK'000	Goodwill DKK'000
Cost beginning of year	1,328	31,057
Cost end of year	**1,328**	**31,057**
Amortisation and impairment losses beginning of year	(613)	(7,764)
Amortisation for the year	(353)	(3,363)
Amortisation and impairment losses end of year	**(966)**	**(11,127)**
Carrying amount end of year	**362**	**19,930**

8 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	442,087	516,739	63,491	4,345
Exchange rate adjustments	16,248	14,621	2,143	0
Additions	976	7,681	2,787	5,170
Disposals	0	(37)	(38)	0
Cost end of year	**459,311**	**539,004**	**68,383**	**9,515**
Depreciation and impairment losses beginning of year	(202,257)	(341,645)	(33,517)	(235)
Exchange rate adjustments	(11,045)	(9,148)	(1,257)	0
Depreciation for the year	(8,674)	(21,844)	(6,993)	0
Reversal regarding disposals	0	32	16	0
Depreciation and impairment losses end of year	**(221,976)**	**(372,605)**	**(41,751)**	**(235)**
Carrying amount end of year	**237,335**	**166,399**	**26,632**	**9,280**

9 Financial assets

	Other investments DKK'000
Cost beginning of year	250
Cost end of year	**250**
Impairment losses beginning of year	(125)
Impairment losses end of year	**(125)**
Carrying amount end of year	**125**

10 Deferred tax

	2022 DKK'000	2021 DKK'000
Tax losses carried forward	29,477	21,500
Deferred tax	**29,477**	**21,500**

Changes during the year	2022 DKK'000	2021 DKK'000
Beginning of year	21,500	33,500
Recognised in the income statement	7,977	(12,000)
End of year	**29,477**	**21,500**

Deferred tax assets

Management has on a regularly basis evaluated the recognition and measurement of deferred tax assets. It's the management's assessment that the group's earnings support partial recognition of the deferred tax assets. The deferred tax assets is calculated and recognized based on expectations for realization within 3-5 years.

11 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK'000	Due within 12 months 2021 DKK'000	Due after more than 12 months 2022 DKK'000	Outstanding after 5 years 2022 DKK'000
Mortgage debt	4,687	4,818	7,975	0
Bank loans	24,509	253,479	185,782	12,254
	29,196	**258,297**	**193,757**	**12,254**

12 Deferred income

Deferred income include received grants related to investments. These amount are amortised on a straight-line basis over the useful lives of the investments.

13 Changes in working capital

	2022 DKK'000	2021 DKK'000
Increase/decrease in inventories	(12,775)	(7,088)
Increase/decrease in receivables	146	(8,008)
Increase/decrease in trade payables etc.	(28,351)	1,038
	(40,980)	**(14,058)**

14 Contingent liabilities

The Parent and the Danish subsidiaries participate in a Danish joint taxation arrangement in which MIE5 Holding 10 ApS, from 14.10.2021 serves as the administration company. Until this date Investeringsselskabet af 24. Februar 2015 A/S served as the administrations company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Parent and the Danish subsidiaries are therefore liable for income taxes etc. for the jointly taxed entities.

15 Assets charged and collateral

Mortage debt is secured by mortgages on properties. The mortgage also includes the production facilities and machines that belong to the property. The carrying amount of pledged assets amounts to 108,093 t.kr. per. 31.12.2022.

There is a registered owner mortgage deed nom. 566,000 t.kr. in the group's properties pledged as security for bank debt. The carrying amount of pledged assets amounts to 422,598 t.kr. per. 31.12.2022

The Group has issued guarantee statements to third parties amounting to 17.783 t.kr.

16 Non-arm’s length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were identified during the financial year.

17 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: MIE5 Holding 10 ApS, CVR-nr: 42336726, København K.

18 Subsidiaries

	Registered in	Corporate form	Ownership %
Genan A/S	Denmark	A/S	100
- Genan Ltd.	England	Ltd.	100
Genan Inc.	USA	Inc.	100
Genan Gruppen GmbH	Germany	GmbH	93.99
- Genan GmbH	Germany	GmbH	100
Genan, S.A.	Portugal	S.A.	100

Parent income statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Revenue		39,366	32,032
Gross profit/loss		**39,366**	**32,032**
Administrative expenses		(33,349)	(47,685)
Operating profit/loss		**6,017**	**(15,653)**
Other financial income	2	4,350	398
Other financial expenses	3	(7,390)	(3,074)
Profit/loss for the year	4	**2,977**	**(18,329)**

Parent balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Acquired intangible assets		362	715
Intangible assets	5	**362**	**715**
Investments in group enterprises		471,775	471,775
Financial assets	6	**471,775**	**471,775**
Fixed assets		**472,137**	**472,490**
Receivables from group enterprises		228,903	18,457
Other receivables		694	3,003
Prepayments	7	164	515
Receivables		**229,761**	**21,975**
Cash		**49**	**9,725**
Current assets		**229,810**	**31,700**
Assets		**701,947**	**504,190**

Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital		16,242	16,000
Retained earnings		390,991	387,500
Equity		**407,233**	**403,500**
Bank loans		185,782	0
Non-current liabilities other than provisions	8	**185,782**	**0**
Current portion of non-current liabilities other than provisions	8	24,509	39,413
Bank loans		27,310	167
Trade payables		411	3,053
Payables to group enterprises		53,354	52,354
Other payables		3,062	5,417
Deferred income	9	286	286
Current liabilities other than provisions		**108,932**	**100,690**
Liabilities other than provisions		**294,714**	**100,690**
Equity and liabilities		**701,947**	**504,190**
Staff costs	1		
Contingent liabilities	10		
Assets charged and collateral	11		
Related parties with controlling interest	12		
Transactions with related parties	13		

Parent statement of changes in equity for 2022

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	16,000	387,500	403,500
Increase of capital	242	4,765	5,007
Extraordinary dividend paid	0	(4,251)	(4,251)
Profit/loss for the year	0	2,977	2,977
Equity end of year	**16,242**	**390,991**	**407,233**

Notes to parent financial statements

1 Staff costs

	2022 DKK'000	2021 DKK'000
Wages and salaries	8,048	22,947
Pension costs	738	670
Other social security costs	37	38
	8,823	**23,655**

Average number of full-time employees	**4**	**5**

	Remuneration of Management 2022 DKK'000	Remuneration of Management 2021 DKK'000
Total amount for management categories	4,125	10,163
	4,125	**10,163**

2 Other financial income

	2022 DKK'000	2021 DKK'000
Financial income from group enterprises	4,350	398
	4,350	**398**

3 Other financial expenses

	2022 DKK'000	2021 DKK'000
Financial expenses from group enterprises	372	790
Other financial expenses	7,018	2,284
	7,390	**3,074**

4 Proposed distribution of profit and loss

	2022 DKK'000	2021 DKK'000
Retained earnings	2,977	(18,329)
	2,977	**(18,329)**

5 Intangible assets

	Acquired intangible assets DKK'000
Cost beginning of year	1,328
Cost end of year	**1,328**
Amortisation and impairment losses beginning of year	(613)
Amortisation for the year	(353)
Amortisation and impairment losses end of year	**(966)**
Carrying amount end of year	**362**

6 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	553,262
Cost end of year	**553,262**
Impairment losses beginning of year	(81,487)
Impairment losses end of year	**(81,487)**
Carrying amount end of year	**471,775**

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

7 Prepayments

Prepayments include accrued contingents, insurances etc.

8 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK'000	Due within 12 months 2021 DKK'000	Due after more than 12 months 2022 DKK'000
Bank loans	24,509	39,413	185,782
	24,509	**39,413**	**185,782**

9 Deferred income

Deferred income include income to be recognized in the following year.

10 Contingent liabilities

The Parent and the Danish subsidiaries participate in a Danish joint taxation arrangement in which MIE5 Holding 10 ApS, from 14.10.2021 serves as the administration company. Until this date Investeringsselskabet af 24. Februar 2015 A/S served as the administrations company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Parent and the Danish subsidiaries are therefore liable for income taxes etc. for the jointly taxed entities.

11 Assets charged and collateral

The company has together with other companies in the group, provided gurantee of payment for the overall bank debt in the group.

The total bank debt in the group amounts 237,601 t.kr. per. 31.12.2022, of which 237,601 t.kr. is recognized in the balance of Genan Holding A/S per 31.12.2022.

Shares in subsidiaries is provided for security of bank debt. Booked value of security amounts to 408,064 t.kr. per 31.12.2022.

The company has stated that it will support the sudsidiaries, Genan Gruppen GmbH og Genan GmbH, continued operations.

The company has submitted a guarantee statement, on behalf of Genan GmbH, to a third party of 8,183 t.kr.

12 Related parties with controlling interest

MIE5 Holding 10 ApS, CVR-nr. 42336726, København K owns 51% of the shares in the Entity, thus exercising control.

13 Non-arm’s length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were identified during the financial year.

Accounting policies

Reporting class

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

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Recognition and measurement

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

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

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

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

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

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

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

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

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

Business combinations

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

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

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

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

Production costs

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

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

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

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

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

Other financial income
Other financial income comprises interest income, exchange gains payables and transactions in foreign currencies, amortisation of financial assets, etc.

Other financial expenses
Other financial expenses comprise interest expenses, exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, etc.

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

The Parent is jointly taxed with all of its Danish group enterprises and other Danish consolidated companies. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

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

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

Intellectual property rights etc.
Intellectual property rights etc. comprise acquired intellectual property rights.

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

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

Property, plant and equipment
Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

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

	Useful life
Buildings	10-50 years
Plant and machinery	3-30 years
Other fixtures and fittings, tools and equipment	3-20 years

Estimated useful lives and residual values are reassessed annually. Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

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

Other investments
Other investments comprise listed securities which are measured at cost, and unlisted equity investments measured at the lower of cost and net realisable value.

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

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

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

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

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

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

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

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

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

Cash
Cash comprises cash in hand and bank deposits.

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

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

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

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

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

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

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

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