
GEA PROCESS ENGINEERING A/S

Gladsaxevej 305, DK-2860 Søborg

Annual Report for 2022

CVR No. 10 05 07 15

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 28/6 2023

Charlotte Thorsen
Chairman of the
general meeting

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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of GEA PROCESS ENGINEERING A/S for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 of the Company and of the results of the Company's operations for 2022.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

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

Søborg, 28 June 2023

Executive Board

Ulrik Lund Jakobsen
CEO

Michael Friis
Executive Officer

Catherine Douzon-Damgaard
Executive Officer

Board of Directors

Ilija Aprcovic
Chairman

Ulla Michelsen

Matthias Decker

Henrik Rothausen
Employee representative

Jan Kjærsgaard Hansen
Employee representative

Independent Auditor's report

To the shareholders of GEA Process Engineering A/S

Opinion

We have audited the financial statements of GEA Process Engineering A/S for the financial year 1 January – 31 December 2022 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 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 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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control, that 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 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 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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 judgement and maintain professional scepticism throughout the audit. We also:

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

Independent Auditor's report

- 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 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 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 Company to cease to continue as a going concern.
- 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.

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 Management's Review

Management is responsible for the Management's review.

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

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 28 June 2023

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Kenn Wolff Hansen
State Authorized Public Accountant
mne30154

Stine Inger Pedersen
State Authorized Public Accountant
mne47771

Company information

The Company

GEA PROCESS ENGINEERING A/S
Gldsaxevej 305
DK-2860 Søborg

Telephone: +45 39 54 54 54

CVR No: 10 05 07 15

Financial period: 1 January - 31 December

Municipality of reg. office: Gladsaxe

Board of Directors

Ilija Aprcovic, chairman
Ulla Michelsen
Matthias Decker
Henrik Rothausen, employee representative
Jan Kjærsgaard Hansen, employee representative

Executive Board

Ulrik Lund
Jakobsen
Michael Friis
Catherine Douzon-Damgaard

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø

Bankers

Danske Bank
Holmens Kanal 2
1090 København K

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2022	2021	2020	2019	2018
	Mil. DKK	Mil. DKK	Mil. DKK	Mil. DKK	Mil. DKK
Key figures					
Profit/loss					
Revenue	2,195	2,038	1,965	2,101	2,281
Profit/loss before financial income and expenses	248	373	137	102	326
Profit/loss of financial income and expenses	162	54	16	-42	-10
Net profit/loss	345	328	89	21	237
Balance sheet					
Balance sheet total	2,396	2,389	2,875	2,593	2,644
Investment in property, plant and equipment	5	5	4	7	13
Equity	1,020	973	1,054	964	1,019
Number of employees	776	753	754	772	717
Ratios					
Profit margin	11.3%	18.3%	7.0%	4.9%	14.3%
Return on assets	10.4%	15.6%	4.8%	3.9%	12.3%
Solvency ratio	42.6%	40.7%	36.7%	37.2%	38.5%
Return on equity	34.6%	32.4%	8.8%	2.1%	25.7%

Management's review

Key activities

As in previous years the core activity of the company has been engineering and supply of industrial processing plants.

Development in the year

The operating profit for the year is DKK 248 million compared to an operating profit of DKK 373 million in 2021. The profit margin has though decreased from 18.3% in 2021 to 11,3% in 2022 due to challenges in the execution of some projects.

Management considers the result of the year satisfactory and above expectations for the year. During 2022 the company has succeeded in maintaining a strong market position.

Special risks - operating risks and financial risks

Operating risks

The company's principal operational risk is related to the ability of being strongly positioned in the important markets. Furthermore, it is important for the company to be at the cutting edge of the development within process engineering, including having the possibility to attract and keep employees with qualifications and experience facilitating this objective.

Financial risks

Because of the financial position of the company and its financial resources, the company is only exposed to changes in the interest level to a limited extent. The company is, however, exposed to currency risks related to the current operation. The company primarily covers its currency risks by forward contracts.

Credit risks

The credit risks of the company are primarily related to accounts receivable in the balance sheet. The company has no major risks regarding single engagements. The company's policy when accepting credit risks means that all larger customers and partners are subject to current credit rating.

Knowledge resources

The ability of the company to attract and retain highly educated employees is essential to its continuous growth, including engineers with expertise in process development and automation. To ensure continuous competitive products the company is investing in the most modern process tools and research environments. This demands high skills, and substantial resources are thus also invested to develop the competences of the employees.

Targets and expectations for the year ahead

The expectations for sales in 2023 are to be a same level as 2022 due to the macro-economic environment. Management foresees also continued intense competition.

A carve-out of the Liquid business unit located in Skanderborg is planned in 2023. The new legal entity GEA Liquid Technologies A/S has been created for the carve-out and also to take on the growing business unit of New Food.

Research and development

The company is continuously engaged in adaptation and improvement of its plants and processes as well as in new developments. The costs of research and development are recognized in the profit and loss statement, unless development cost meets the requirements for recognition in the balance sheet. The research and development costs in the profit and loss amounted to DKK 58,1 million in 2022 (DKK 68,0 million in 2021). Capitalized development projects amounted to DKK 26,5 million in 2022 (DKK 27,3 million in 2021).

Management's review

Statement of corporate social responsibility

The core activity of the company is engineering and supply of industrial processing plants. The company is a 100% owned subsidiary of GEA Group Holding GmbH, Germany, which is 100% owned by GEA Group Aktiengesellschaft, Germany. The ultimate parent of the company includes business model, in addition to policy, actions, results and risks to each of the mandatory areas under 99a of the Danish Financial Statements Act. Therefore, we refer to the Group's annual report 2022, which can be found here:

<https://www.gea.com/en/company/investor-relations/events-releases/annual-reports/index.jsp>

The below presents an overview of the implemented local CSR initiatives within the company and how we live up to the Group's expectations and commitments. Risks and how are they managed are reported on Group level.

Climate and environment

The company affects the environment via processing equipment and plants for industrial use delivered to customers. Thus, minimizing the environmental impact of the company is best achieved through its customers by delivering optimized solutions.

The current strategy named Mission 26 has a Net Zero by 2040 commitment which of course reflects on the GEA Process Engineering A/S entity. 2040 is 10 years ahead of the target set by the European Union. Further sustainability targets include that all solutions will be offered with zero freshwater usage by 2030 and 50% of total energy demand is covered by certified energy management systems by 2026.

Regarding the two focus areas – Sustainability and New Food - both serve to reduce impact on the climate and environment. The latter indirectly through less climate and environmental impact early in the food production chain, e.g. at farms. However, the GEA Process Engineering A/S contributes to the trend with new solutions that enables downstream processing of New Foods. On sustainability, the focus is on reducing energy and water consumption at our customers' production sites. To implement the strategy the company has already increased the number of employees working on sustainability and sustainability is the innovation area with the highest planned new investments.

In addition to the above, a number of smaller initiatives can be mentioned. These include technology developments to reduce the consumption of compressed air which is very energy intensive to produce as well as initiatives at the Soeborg Test Centre to significantly reduce water utilization.

Employees

Covid-19

Covid-19 still had an impact the first few months of 2022 for travelling to customers as some countries were still closed. Otherwise, departments were fully operational, whether working from the office or remotely. As financial figures show, 2022 was a very good year.

High Potential and Talent Pools and Focus on Development

GEA Process Engineering A/S' continued success is dependent on being able to retain experienced employees and managers and to recruit new, talented employees and managers to our company. Accordingly, we place importance on providing an attractive workplace with good opportunities for personal development.

In 2021 we launched a global talent and high potential development program for us to retain great talent in the organization and secure solid succession planning. This is done by building a pool of trained workers who are ready to fill key roles when leaders and other key employees step down. The program will be implemented further in 2022, and we expect to see an increased number of key positions being filled with internal candidates in the future.

Management's review

Suppliers and human rights

The company has assessed that the biggest exposure regarding human rights is within the supplier area. This area is separately treated in the GEA Compliance Handbook.

Local and international regulations on conditions of employment, working hours and health and safety conditions are observed in order to comply with the high standard stated in the internal GEA Compliance Handbook. The Compliance Handbook specifically states that discrimination of employees by virtue of sex, sexual orientation, origin, colour of skin, or other personal features are strictly forbidden.

Our purchase organization is responsible for vendor management and procures workshop components, third party equipment and services for customer projects and after sales business. Workshop components are manufactured based on our drawings and specifications in external workshops in and outside Denmark. Third party services are purchased in accordance with framework supplier agreements or on a case-by-case basis depending on the characteristics of the supplier or product market.

The purchasing staff are all well-trained in 'good purchasing practice' and the legal aspects of purchasing. Every purchaser has taken an on-line test in anti-corruption and export control organized by GEA Group Compliance Management.

The procedures on external workshop audits include evaluation of working conditions, maintenance of production facilities, cleaning, training of workshop staff and safety measures at the workshop. This has positively contributed to no registered breaches on our internal procedures or any severe noncompliance of our suppliers in 2022.

We expect to maintain our focus in this area in the future.

Gender composition of the Danish Financial Statements Act §99b

Looking at the total management group below Executive Management the gender composition is 18,64% women and 81,36 % men, which signals a significant increase towards GEA's goal of awareness towards the gender gap within management. We also have a long-term perspective to secure the availability of a group of qualified female employees who, at a later stage can take a management role. We have a strong focus on recruiting candidates from both genders when we have open positions. We are continuously making awareness in the management group of this gender issue.

At the end of the year 2022 the gender composition of the company showed 26% women and 74% men. Our goal in 2019 of having a gender composition of more than 25% women was reached in 2020. This reflects that the engineering industry being mostly a male industry. Even though the part of female students is increasing in Engineering, the vast majority of engineering students is still male.

The Board of Directors of GEA Process Engineering A/S has three members selected by the Annual General Meeting, one of which is female and two of which are men. In accordance with the requirements under § 99 b of the Danish Financial Statements Act, GEA Process Engineering A/S therefore considers the board to be gender balanced and has not set any further targets with regards to the gender balance of the Board of Directors.

The Executive Board changed from 3 males (100% males) to 2 males (100% males) during the year as one left the company. His replacement (a female) started in 2023 which changes the ratio to 66,66% male and 33,33% female.

Policy for data ethics

The company has adopted the GEA Group's policies for data protection and corporate social responsibility. Embedded in these policies is a commitment to the safe processing and handling of data and ethical business practices which includes

- The collection, storage and processing of personal data.
- The consideration of data protection policies of vendors and 3rd parties.
- The use of data to achieve sustainability targets.
- The mandatory training of employees in data protection.

Management's review

The company primarily processes data relating to human resources, customer interactions and supplier contact. The company controls that data is collected for explicit and legitimate purposes and processed lawfully and fairly, as well as in a transparent manner in relation to the data subject.

A further description of the GEA Group's principles and policies is available in the 2022 Sustainability Report which can be found here.

<https://www.gea.com/en/company/sustainability/index.jsp>

Representative offices

The company has a representative office in:
Dubai, United Arab Emirates, Riyadh, Saudi Arabia.

Consolidated annual report

The company is a 100% owned subsidiary of GEA Group Holding GmbH, Germany, which is 100% owned by GEA Group Aktiengesellschaft, Germany.

The annual reports of the company and its subsidiaries are included in the audited consolidated annual report of GEA Group Aktiengesellschaft, Germany, which is the ultimate parent company of GEA Process Engineering A/S.

The above consolidated annual report can be obtained from GEA Process Engineering A/S, or can be downloaded from GEA Aktiengesellschaft's homepage (investor relations):

<https://www.gea.com/en/company/investor-relations/events-releases/annual-reports/index.jsp>

Income statement 1 January - 31 December

	Note	2022 TDKK	2021 TDKK
Revenue	1	2,194,607	2,038,196
Production expenses	2,3	-1,410,365	-1,268,961
Gross profit		784,242	769,235
Distribution expenses	3,4	-306,446	-216,301
Administrative expenses	3,5	-229,949	-179,700
Profit/loss before financial income and expenses		247,847	373,234
Income from investments in subsidiaries	6	171,403	66,407
Financial income	7	1,330	230
Financial expenses	8	-10,540	-12,563
Profit/loss before tax		410,040	427,308
Tax on profit/loss for the year	9	-65,103	-99,437
Net profit/loss for the year	10	344,937	327,871

Balance sheet 31 December

Assets

	Note	2022 TDKK	2021 TDKK
Completed development projects		30,720	43,474
Acquired patents		18,973	20,414
Goodwill		6,423	8,027
Development projects in progress		56,767	42,630
Intangible assets	11	112,883	114,545
Plant and machinery		8,494	6,644
Other fixtures and fittings, tools and equipment		2,008	1,016
Leasehold improvements		36,312	49,171
Property, plant and equipment in progress		3,533	5,387
Property, plant and equipment	12	50,347	62,218
Investments in subsidiaries	13	1,019,240	1,076,414
Other investments	14	4,834	4,834
Deposits	14	9,267	9,050
Fixed asset investments		1,033,341	1,085,464
Fixed assets		1,196,571	1,262,227
Raw materials and consumables		132,561	110,708
Inventories		132,561	110,708
Trade receivables		137,406	217,148
Contract work in progress	15	188,182	213,010
Receivables from group enterprises		635,535	450,061
Other receivables		74,819	60,335
Prepayments	16	3,808	41,291
Receivables		1,039,750	981,845
Cash at bank and in hand		27,387	34,165
Current assets		1,199,698	1,126,718
Assets		2,396,269	2,388,945

Balance sheet 31 December

Liabilities and equity

	Note	2022 TDKK	2021 TDKK
Share capital	17	100,000	100,000
Reserve for development costs		67,548	61,901
Retained earnings		852,478	810,644
Equity		1,020,026	972,545
Provision for deferred tax	18	242,866	246,365
Other provisions	19	49,873	47,397
Provisions		292,739	293,762
Trade payables		297,386	278,128
Contract work in progress	15	466,098	506,753
Payables to group enterprises		105,394	100,548
Corporation tax		66,593	65,856
Other payables		148,033	171,353
Short-term debt		1,083,504	1,122,638
Debt		1,083,504	1,122,638
Liabilities and equity		2,396,269	2,388,945
Contingent assets, liabilities and other financial obligations	20		
Related parties	21		
Subsequent events	22		
Accounting Policies	23		

Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Total
	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>
Equity at 1 January	100,000	61,902	810,643	972,545
Extraordinary dividend paid	0	0	-297,456	-297,456
Development costs for the year	0	5,646	-5,646	0
Net profit/loss for the year	<u>0</u>	<u>0</u>	<u>344,937</u>	<u>344,937</u>
Equity at 31 December	<u>100,000</u>	<u>67,548</u>	<u>852,478</u>	<u>1,020,026</u>

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK
1. Revenue		
Project	1,809,374	1,723,563
Service and Components	385,233	314,633
	2,194,607	2,038,196

The company operates globally, but under the same organization of their sales of projects and services across national borders.

Thus, the geographical segment information has not been disclosed.

	2022	2021
	TDKK	TDKK
2. Production expenses		
Cost of goods sold	1,153,536	1,028,758
Wages and salaries	256,829	240,203
	1,410,365	1,268,961

	2022	2021
	TDKK	TDKK
3. Staff		
Wages and salaries	561,019	557,817
Pensions	51,728	48,740
Other social security expenses	6,359	5,412
	619,106	611,969

Including remuneration to the Executive Board and Board of Directors:

Executive board	8,742	7,258
Board of directors	100	100
	8,842	7,358

Average number of employees	776	753
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Notes to the Financial Statements

	2022	2021
	TDKK	TDKK
4. Distribution expenses		
Wages and salaries	188,745	177,209
Depreciation and amortisation	20,815	14,238
Other expenses	105,638	63,622
Charged to/from group companies	-8,752	-38,768
	306,446	216,301

	2022	2021
	TDKK	TDKK
5. Administrative expenses		
Wages and salaries	173,531	194,557
Depreciation and amortisation	23,633	36,122
Other expenses	12,264	63,431
Charged to/from group companies	20,521	-114,410
	229,949	179,700

	2022	2021
	TDKK	TDKK
6. Income from investments in subsidiaries		
Gain(+)/loss(-) on disposal of shares in subsidiaries	-10,692	0
Impairment of investment in subsidiaries	-7,779	-113,130
Dividends from subsidiaries	189,874	179,537
	171,403	66,407

	2022	2021
	TDKK	TDKK
7. Financial income		
Interest received from group enterprises	1,330	230
	1,330	230

Notes to the Financial Statements

8. Financial expenses

	2022 TDKK	2021 TDKK
Interest paid to group enterprises	1,237	3,672
Other financial expenses	3,852	3,166
Exchange adjustments, expenses	5,451	5,725
	10,540	12,563

9. Income tax expense

	2022 TDKK	2021 TDKK
Current tax for the year	72,523	95,824
Deferred tax for the year	-4,521	-123
Adjustment of tax concerning previous years	-3,921	7,237
Adjustment of deferred tax concerning previous years	1,022	-3,501
	65,103	99,437

10. Profit allocation

	2022 TDKK	2021 TDKK
Extraordinary dividend paid	297,456	409,250
Retained earnings	47,481	-81,379
	344,937	327,871
Extraordinary dividend after year end	371,825	297,456

Notes to the Financial Statements

11. Intangible fixed assets

	Completed development projects	Acquired patents	Goodwill	Develop- ment projects in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	309,667	44,532	81,225	42,631
Additions for the year	0	1,457	0	26,540
Disposals for the year	-14,575	-1,410	0	-258
Transfers for the year	11,252	0	0	-12,146
Cost at 31 December	306,344	44,579	81,225	56,767
Impairment losses and amortisation at 1 January	266,194	24,119	73,196	0
Amortisation for the year	22,538	2,897	1,606	0
Impairment and amortisation of sold assets for the year	-13,108	-1,410	0	0
Impairment losses and amortisation at 31 December	275,624	25,606	74,802	0
Carrying amount at 31 December	30,720	18,973	6,423	56,767

Notes to the Financial Statements

12. Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	85,180	9,640	119,499	5,388
Additions for the year	1,102	43	0	3,372
Disposals for the year	-18,380	-1,099	0	258
Transfers for the year	4,450	1,928	0	-5,485
Cost at 31 December	<u>72,352</u>	<u>10,512</u>	<u>119,499</u>	<u>3,533</u>
Impairment losses and depreciation at 1 January	78,535	8,624	70,328	0
Depreciation for the year	3,703	796	12,859	0
Impairment and depreciation of sold assets for the year	-18,380	-916	0	0
Impairment losses and depreciation at 31 December	<u>63,858</u>	<u>8,504</u>	<u>83,187</u>	<u>0</u>
Carrying amount at 31 December	<u>8,494</u>	<u>2,008</u>	<u>36,312</u>	<u>3,533</u>

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK
13. Investments in subsidiaries		
Cost at 1 January	1,448,921	1,388,185
Additions for the year	0	60,736
Disposals for the year	-44,559	0
Cost at 31 December	<u>1,404,362</u>	<u>1,448,921</u>
Value adjustments at 1 January	-372,507	-259,377
Revaluations for the year, net	-105,031	-113,130
Reversals for the year of revaluations in previous years	97,250	0
Value adjustments at 31 December	<u>-380,288</u>	<u>-372,507</u>
Carrying amount at 31 December	<u>1,024,074</u>	<u>1,076,414</u>

The company has calculated the recoverable amount for the individual subsidiaries and compared these to the carrying amount of these. The recoverable amount derived in connection with the impairment test is calculated on the basis of net cash flow over a period of several years and a growth rate of 2%. The Weighted Average Cost of Capital (WACC) is based on a factor of 10,68%, which is the estimated average within the business areas in which the subsidiaries operate. Further, a local risk factor is added based on individual market and geographical risks in the countries where the subsidiaries operate.

Based on the above assumptions the impairment test indicates a net impairment of financial fixed assets totalling to DKK 7,8 million. The net impairment consists of partial reversal of the impairment made last year regarding the companies GEA Process Engineering (India) Limited and GEA Process Engineering (S.E.A.) Pte. Ltd., and impairment of the amount not estimated recoverable for for GEA Process Engineering de Mexico S.A. de C.V.

Notes to the Financial Statements

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership	Equity	Net profit/loss for the year
GEA Westfalia Separator A/S	Denmark	100%	47,824,132	12,508,193
GEA Scan Vibro A/S	Denmark	100%	32,824,711	1,732,705
GEA Process Engineering OY	Finland	100%	16,085,150	-223,095
GEA Process Engineering Australia Pty. Ltd.	Australia	100%	73,903,937	6,387,954
GEA Engenharia e Processos Industrias Ltda.	Brazil	100%	100,876,123	49,779,931
GEA Process Engineering Ltd.	Japan	100%	13,593,922	6,573,866
GEA Process Engineering (NZ) Limited	New Zealand	100%	195,453,530	33,895,567
GEA Process Engineering (S.E.A.) Pte Ltd.	Singapore	100%	-26,161,607	-3,829,798
GEA Process Engineering (India) Limited	India	100%	249,680,488	3,978,528
GEA Folyamattervező Kft	Hungary	100%	1,621,693	-5,761
GEA Process Technology Warsaw Sp.z.o.o	Poland	100%	24,317,355	5,614,558
GEA Pharma Systems N.V	Belgium	100%	362,447,574	23,335,737
GEA Process Engineering	Chile	100%	2,925,248	1,926,641
GEA Tuchenhausen Mak. Mük. Tic. Ltd. Sti.	Turkey	100%	7,272,897	5,681,486
GEA Process Engineering de México S.A. de C.V.	Mexico	100%	70,222,870	-14,553,231
GEA Westfalia Separator K.K	Japan	100%	39,279,593	5,064,257
			1,212,167,616	137,867,538

14. Other fixed asset investments

	Other investments	Deposits
	TDKK	TDKK
Cost at 1 January	4,834	9,050
Additions for the year	0	217
Cost at 31 December	4,834	9,267
Carrying amount at 31 December	4,834	9,267

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK
15. Contract work in progress		
Selling price of work in progress	3,846,677	3,969,236
Payments received on account	-4,124,593	-4,262,979
	-277,916	-293,743
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	188,182	213,010
Prepayments received recognised in debt	-466,098	-506,753
	-277,916	-293,743

16. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

17. Share capital

The share capital consists of 2 shares of a nominal value of TDKK 50,000. No shares carry any special rights.

	2022	2021
	TDKK	TDKK
18. Provision for deferred tax		
Deferred tax liabilities at 1 January	246,365	249,988
Amounts recognised in the income statement for the year	-4,521	-122
Adjustment of deferred tax (concerning previous years, equity adj. etc.)	1,022	-3,501
Deferred tax liabilities at 31 December	242,866	246,365
Intangible assets	24,834	23,675
Tangible assets	-1,213	-254
Contract work in progress	230,710	228,082
Provisions and debt	-11,465	-5,138
	242,866	246,365

Notes to the Financial Statements

19. Other provisions

	2022	2021
	TDKK	TDKK
Warranty and guarantee provisions	32,647	31,737
Other provisions	17,226	15,660
	49,873	47,397

All provisions are expected to mature within 1-5 years.

	2022	2021
	TDKK	TDKK
20. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	25,705	23,291
Between 1 and 5 years	58,501	61,393
After 5 years	3,548	0
	87,754	84,684

Guarantee obligations

Warranties and guarantee obligations issued by GEA concerning execution of contractual work etc. for third party.	161,476	96,365
Bank guarantees have been given to third parties concerning execution of contractual work etc. for third party.	281,857	353,299

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the GEA Group. 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.

Notes to the Financial Statements

21. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
GEA Group Holding GmbH, Germany	100%

Transactions

GEA Process Engineering A/S is a 100% owned subsidiary of GEA Group Holding GmbH, which is 100% owned by GEA Group Aktiengesellschaft, Germany.

GEA Process Engineering A/S' closely related parties with material influence include GEA Group Aktiengesellschaft and enterprises, including GEA Group Holding GmbH and its subsidiaries and associates, as well as the subsidiaries listed in note 13.

GEA Process Engineering A/S sells and purchases goods and services to/from subsidiaries and associates. Intercompany trading is highlighted as follows:

	<u>2022</u>	<u>2021</u>
	<u>TDKK</u>	<u>TDKK</u>
Sales, income	1.010.699	805.893
Purchase, expense	668.609	663.246
Overhead net income	-11.768	130.103
Dividends from subsidiaries, income	189.874	179.537
Interest received, income	1.330	230
Interest paid, expense	1.237	3.672
Contract work in progress, assets	101.677	80.449
Receivables from group entities	635.535	450.061
Contract work in progress, liabilities	152.198	151.399
Liabilities to group entities	105.394	100.548

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
GEA Group Aktiengesellschaft	Germany

The Group Annual Report of GEA Group Aktiengesellschaft may be obtained at the following address:

GEA Group Aktiengesellschaft, Peter Müller Strasse 12, D-40468 Düsseldorf, Germany

Or at: <https://www.gea.com/en/investor-relations/releases-reports/annual-reports/index.jsp>

22. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

23. Accounting policies

The Annual Report of GEA PROCESS ENGINEERING A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Financial Statements for 2022 are presented in TDKK.

Reclassification adjustments to comparative figures

Reclassifications have been made in individual items in the note for related parties transactions. This has not affected the result and equity of this year or last year and has been made solely to ensure the comparability of the individual items in the note.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2022 of GEA, the Company has not prepared consolidated financial statements.

Disclosure of auditors fees

Further pursuant to the Danish financial statements act § 96, paragraph 3, the company has not disclosed fee for auditors appointed at the general meeting.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of GEA Group Aktiengesellschaft, the Company has not prepared a cash flow statement.

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, write-down and provisions as well as write-backs as a result of changed accounting estimates of amounts that earlier have been included in the profit and loss statement are included.

Assets are included in the balance sheet when it is likely as a result of a prior event that future financial advantages will accrue to the company and when the value of the asset can be measured in a reliable way.

Liabilities are included in the balance sheet when the company has a legal or actual obligation as a result of a prior event and if it is likely that future financial advantages will no longer be of benefit to the company, and the value can be measured in a reliable way.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Gains, losses and risks that result before the annual report is submitted and which confirm or deny conditions present at the balance sheet date must be considered in connection with recognition and measurement.

Translation policies

Transactions in foreign currencies are recorded at initial recognition at the exchange rate on the transaction date. Exchange rate differences appearing between the exchange rate on the transaction day and the exchange rate on the date of the payment are recognised as a financial gain/loss in the profit and loss statement.

Receivables and debt in foreign currencies are recorded in Danish Kroner according to the exchange rate on the balance sheet date or the exchange rate in forward contracts if the outstanding is secured. Exchange rate differences appearing between the exchange rate on the balance sheet date and the exchange rate on the date of the original recognition of the receivable or the debt are recognised as a financial gain/loss in the profit and loss statement.

Notes to the Financial Statements

Income statement

Net sales

Income from the sale of goods for resale and finished goods, is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received.

Revenue is measured ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Construction contracts are recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method). When the income from a construction contract cannot be estimated reliably, revenue is recognised only corresponding to the costs incurred to the extent that it is probable that they will be recovered.

Production expenses

Production cost comprise costs, including salaries, incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases.

Distribution expenses

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc., during the year are recognized as distribution costs. Also, costs relating to sales staff, advertising, exhibitions and depreciation are recognized as distribution costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for company management and administration, including expenses for administrative staff, management, office premises and office expenses, and depreciation.

Income from investments in subsidiaries

Income from investments in subsidiaries includes dividends distributed from subsidiaries and impairment write-downs on subsidiaries and reversal hereof. Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses include interest income and expenses as well as realised and unrealised exchange gains and losses related to transactions in foreign currency.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for 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 Danish group companies. The Company is administrative company for the joint taxation and consequently settles all payments of corporation tax to the Danish Tax authorities. The tax effect of the joint taxation with other Danish group enterprises is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at maximum 20 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 3-5 year.

Development costs comprise costs, salaries, and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life, which is 3-5 years.

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income/other operating costs.

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 assets of own production comprises direct and indirect expenses for labour and materials.

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:

Plant and machinery	3-15 years
Other fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	10-30 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price minus selling costs and carrying amount at the time of sale. Profits or losses are included in the income statement under other operating income/other operating costs.

Tangible fixed assets are written down to the recoverable amount, if this is lower than the book value.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment as well as equity investments in group entities 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, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists. Reversed write-downs are recognised in the income statement as financial income.

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other investments consist of deposits.

Inventories

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

The cost of goods for resale, raw materials and consumables consists of purchase price plus landing cost.

Goods of own production are measured at the lower of direct material and wages with addition of indirect production cost or net realisable value.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The percent of completion is determined as the ratio between direct allocated costs, including materials, wages etc. with the addition of indirect production costs related to the contract work and latest estimated total cost.

Contract work in progress and invoicing on account in foreign currency have been translated at the rates of exchange in effect on the date of contract.

In cases where invoicing on account exceeds the recognised sales value of a contract, the exceeding amount has been included in current liabilities as part of advance payment from customers.

Notes to the Financial Statements

Prepayments

Prepayments comprise prepaid expenses concerning subsequent financial years. Prepayments are measured at cost.

Equity

Reserve for development costs

The reserve for development costs comprises capitalized development costs. The reserve cannot be used for dividend, distributed or cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the development costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Other provisions, which contain expected costs for warranty provisions, losses on contract work in progress, restructuring etc. are recognized if the obligation is present at the date of the balance sheet.

Warranty obligations contain the commitments to repair works within the warranty period. Based upon experience, a provision for warranty expenses has been established to cover such obligations.

When there is a probability that the total costs will exceed the total income of contract work in progress for third parties, a provision of the total loss expected is established under cost of manufactured goods.

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.

Current tax payable and receivable is recognised in the balance sheet as amounts owed by or to affiliates.

Financial debts

Financial liabilities are measured at amortised cost, substantially corresponding to nominal value.

Notes to the Financial Statements

Financial Highlights

Explanation of financial ratios

Profit margin	$\text{Profit before financials} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit before financials} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$