



## Dinex A/S

Fynsvej 39  
5500 Middelfart  
CVR No. 10504473

## Annual report 2023

The Annual General Meeting adopted the annual report on 28.06.2024

---

**Niels Thorborg**

Chairman of the General Meeting

# Contents

Entity details	2
Statement by Management on the annual report	3
Independent auditor's report	4
Management commentary	7
Consolidated income statement for 2023	20
Consolidated balance sheet at 31.12.2023	21
Consolidated statement of changes in equity for 2023	24
Consolidated cash flow statement for 2023	25
Notes to consolidated financial statements	27
Parent income statement for 2023	35
Parent balance sheet at 31.12.2023	36
Parent statement of changes in equity for 2023	38
Notes to parent financial statements	39
Accounting policies	45

# Entity details

## Entity

Dinex A/S

Fynsvej 39

5500 Middelfart

Business Registration No.: 10504473

Date of foundation: 01.11.1986

Registered office: Middelfart

Financial year: 01.01.2023 - 31.12.2023

## Board of Directors

Niels Thorborg

Torben Staal Dinesen

Jens Prytz Sørensen

Jørn Tolstrup Rohde

Birgit Bæk Thomsen

Kim Walther Østergaard

## Executive Board

Torben Staal Dinesen

Michael Storm

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Tværkajen 5

P. O. Box 10

5100 Odense

# Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Dinex A/S for the financial year 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023.

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.

Middelfart, 17.06.2024

## Executive Board

**Torben Staal Dinesen**

**Michael Storm**

## Board of Directors

**Niels Thorborg**

**Torben Staal Dinesen**

**Jens Prytz Sørensen**

**Jørn Tolstrup Rohde**

**Birgit Bæk Thomsen**

**Kim Walther Østergaard**

# Independent auditor's report

## To the shareholders of Dinex A/S

### Opinion

We have audited the consolidated financial statements and the parent financial statements of Dinex A/S for the financial year 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023 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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Odense, 17.06.2024

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Bo Damgaard Hansen**

State Authorised Public Accountant  
Identification No (MNE) mne34543

# Management commentary

## Financial highlights

	2023	2022	2021	2020	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Revenue	2,035,373	2,208,622	2,193,819	1,727,418	1,525,418
Gross profit/loss	566,789	516,880	533,278	405,053	429,922
EBITDA	291,173	257,538	323,112	230,095	208,282
Operating profit/loss	212,993	188,215	256,953	169,133	151,261
Net financials	(127,836)	(66,791)	(53,591)	(42,926)	(22,255)
Profit/loss before tax	79,854	112,169	206,232	125,487	128,037
Profit/loss for the year	43,677	76,257	165,921	107,087	113,144
Balance sheet total	1,791,974	1,840,887	1,697,850	1,437,225	1,332,188
Investments in property, plant and equipment	51,186	101,067	112,843	106,708	72,564
Equity	351,301	334,972	249,969	276,557	311,527
Equity incl minority interests and subordinated loan	551,301	534,972	449,969	476,557	511,528
Average invested capital incl. goodwill	1,305,667	1,234,377	1,055,363	972,742	950,229
Net interest-bearing debt	842,833	781,055	601,072	543,600	499,166
<b>Ratios</b>					
Gross margin (%)	27.85	23.40	24.31	23.45	28.18
EBITDA margin (%)	14.31	11.66	14.70	13.30	13.70
Net margin (%)	2.15	3.45	7.56	6.20	7.42
Return on invested capital incl. goodwill (%)	3.35	6.18	15.72	11.01	11.91
Financial gearing	2.40	2.33	2.40	1.97	1.60
Return on equity (%)	12.73	26.07	63.02	36.42	44.22
Equity ratio incl. subordinated loan (%)	30.77	29.06	26.50	33.20	38.40
Equity ratio (%)	19.60	18.20	14.72	19.24	23.38
Net interest-bearing debt to EBITDA	2.89	3.03	1.90	2.40	2.40

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



**Gross margin (%):**
$$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$$
**EBITDA margin (%):**
$$\frac{\text{EBITDA} * 100}{\text{Revenue}}$$
**Net margin (%):**
$$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$$
**Return on invested capital incl. goodwill (%):**
$$\frac{\text{Profit/loss for the year} * 100}{\text{Average invested capital incl. goodwill}}$$
**Financial gearing :**
$$\frac{\text{Net interest-bearing debt}}{\text{Equity}}$$
**Return on equity (%):**
$$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$$
**Equity ratio incl. subordinated loan (%):**
$$\frac{\text{Equity} + \text{subordinated loan} * 100}{\text{Balance sheet total}}$$
**Equity ratio (%):**
$$\frac{\text{Equity} * 100}{\text{Balance sheet total}}$$
**Net interest-bearing debt to EBITDA(%):**
$$\frac{\text{Net interest-bearing debt, net} * 100}{\text{EBITDA}}$$

### Primary activities

The primary activity of the Dinex A/S Group is development, production and sales of exhaust and emission systems for trucks and industrial machines.

### Development in activities and finances

Customers in the Dinex Group are separated into two main segments - AEM customers (spare parts wholesalers) and OEM customers (manufacturers of diesel-powered vehicles - On Road and Off Road). The split in turnover between AEM 27% and OEM 73% is close to the same level as in 2022 (25% and 75%).

The operating profit (EBIT) of the Group was DKK 212.993 thousand against DKK 188.215 thousand in 2022. The result before tax for the Group was DKK 79.854 thousand against DKK 112.169 thousand in 2022.

The year-end total net results after tax for the Group was 43.677 thousand and has decreased compared to the 2022 level of 76.257 thousand. The result was affected by 3 main reasons:

- 1) Lower activity
- 2) Increased interest rates
- 3) Currency fluctuations

The new production setup in China has not reached the expected outcome, due to the economical environment in China. We foresee it will take longer time before the Chinese market are at the expected level.

The factory in India continued to expand its production to accommodate a higher demand from our customers.

The activity level in Russia has remained at same level as last year but with an increased level of earnings, due to a lower costbase

Dinex furthermore keeps on investing in R&D and new technologies which is the reason for increasing the costs in 2023.

### Profit/loss for the year in relation to expected developments

In the outlook for 2023 Dinex expected to reach an EBITDA margin of 16-17%. The actual EBITDA margin for 2023 reached 14.3%, which is lower due to less revenue, however efforts have been initiated end of 2023, to reduce the operating expenses in relation to revenue, to achieve an EBITDA margin above 16% for 2024.

### Unusual circumstances affecting recognition and measurement

Besides the current economic market turbulence, no unusual conditions have been noted in the actual financial year, which might have influenced this annual report positively or negatively.

In 2023 the group has identified accounting errors relating to prior years. Refer to section "material errors in previous years" under accounting policies for further details.

### Outlook

We expect to have a stable turnover development in 2024 with a growth in our aftermarket business and on the other hand a stable development in our OEM business. We expect in the coming years more growth in Turkey, Indian OEM platforms as well as aftermarket growth in the US market. We also foresee that the global economy and thereby our business growth and earnings will be negatively impacted by the challenging macroeconomics environment and potential recession. We expect to continue our passive ownership in Russia.

The EBITDA margin, excluding special items, is expected to reach a level in the range of 16-17% as a result of several cost reduction initiatives, continued focus on efficiency, and investment in future technology.

The interest rates are expected to continue at a high level in 2024, but with some positive signals of decreasing rates in the second half of the year. However, we do expect to decrease our costs on interest by decreasing our debt towards our banks, through an improved cash flow performance.

The level of investments in production machinery, technology and development projects are planned to be on a continued reasonable level in 2023 with focus on investments for new business growth.

Management estimates that the Group will achieve a turnover of 2 billion DKK and an EBITDA level of 16,5% in 2024 despite the continuing challenges in the macroeconomic environment, driven by the effect of a saving project implemented end of 2023 to reduce the cost base.

### **Business in Russia**

The Dinex Group still owns a Russian subsidiary which produces emission reduction technology for heavy commercial vehicles, in line with Euro 5 emission standards. In compliance and respect of applicable EU sanctions, and following advice from our external legal counsel and the Confederation of Danish Industry (DI), the ownership remains strictly passive. This means there is no support, collaboration or guidance provided by any Group or Headquarter functions to the local management team, and communication is limited to a monthly reporting of financial and performance metrics. The subsidiary is still subject to Dinex' ethical guidelines, which among other things state that the company may not deliver to any military purposes.

The nature of the products produced at the Russian subsidiary makes them unfit for any military purposes, as the functionality needed to reduce harmful pollutants, drives the technical complexity, costs, and regular maintenance level far above that of standard exhaust systems. Thus, the products are only relevant for commercial vehicles that are subject to emission regulations.

The alternative to Dinex' passive ownership of the subsidiary, is local Russian ownership via either voluntary sales of the company, or an involuntary nationalization. In acknowledgement of the risk of Dinex' unique intellectual properties and production apparatus serving as a commercial advantage to Russian interests in local and foreign markets, Dinex will maintain the passive ownership without taking efforts to develop the business, as long as it remains the least advantageous approach for Russian interests.

### **Particular risk**

#### *Business risks*

Dinex primarily produces goods that are sold in a regulated emission market where governments and agencies control the emission standards. Sudden unexpected changes in emission standards can affect sales volume negatively for Dinex; sudden stricter emission standards require a development process before new emission products can be sold, and a sudden roll-back in emission standards requires change in production plans, product portfolio and similar.

Dinex has invested in a Joint Venture in China with a Chinese manufacturer as well as a Joint Venture in India. The return on the investments is highly dependent of the development in the Chinese and Indian market for emission products. The Indian Joint Venture is still in the buildup phase whereas the Joint venture in China has been negatively affected by the economic circumstances in China, but are expected to recover.

### *Russian business*

The board of directors recognizes the risks associated with the decision on passive ownership, particularly with regards to:

- Damage to reputation as well as risk for employees who may be exposed to critical publicity. We try to mitigate this risk by openly communicating the reasons behind our decision and guiding our employees on how to respond constructively and fact based to critical comments.
- Nationalization of the Russian subsidiary, resulting in loss of physical assets, intellectual property and/or legal action against our Russian employees. We seek to mitigate this risk by maintaining passive ownership and allowing continued, independent operation without contributing with any development, support, or management of the business.

### *Credit risk*

The credit risks of the Group are primarily related to trade receivables, which at the end of 2023 were DKK 389.883 thousand against DKK 390.887 thousand in 2022. The customers can be grouped into two main categories, one being very large OEM manufacturers with strong financial figures and the second being a diversified portfolio of smaller aftermarket customers. Historic losses are very limited, which also was the case in 2023.

### *Currency and interest risks*

The consolidated financial statements are influenced by changes in exchange rates, as the result and equity of the subsidiaries are converted into Danish kroner at year-end based on average and year-end rates. Transactions are mainly in USD, CNY, INR, RUB and EURO. It's not the company policy to hedge against currency risks.

Based on currency positions as of December 31, these currencies are primarily the ones Dinex are exposed to: USD, RUB, TRY, INR and CNY. A 10% increase will not have a significant impact on the financial statements.

The currency risk of the Group is mainly managed through matching incoming and outgoing payment currencies, whereas active hedging using e.g., instruments is only used to a limited extent in line with the established policy.

In connection with considerations about the future financing structure of the Dinex Group, Management has examined various possibilities of covering the risks connected with loan financing, cash flow in foreign currency and the related interest costs. In 2023, a total net exchange loss of DKK 57.106 thousand is realized, against a net loss of DKK 14.694 thousand in 2022. The exchange loss is mainly driven by loss in Turkish Lire and Russian Rubles.

Dinex's operation in Turkey is not affected by the fact that Turkey is seen as a country with Hyperinflation, as the functional and reporting currency is EUR.

### *Intellectual capital resources*

The employees in the Dinex Group cover a wide field. At year-end, the Group had 1.866 employees, including 59 in Denmark. We continue to utilize the knowledge within the group and have currently several expats in US to assist the growth potential of the US market.

### Research and development activities

The company's total costs for R&D make up approx. 2,3% of the revenue compared to 1,4% in 2022. We have, as in previous years, invested significantly in future technology in line with emission requirements to support the strategy and not at least meet the customer's demand.

We refer to note 13 in consolidated financial statement for a brief description of our current development projects.

### Statutory report on corporate social responsibility

Dinex' main contribution to society is found in its development, production, and sale of Exhaust AfterTreatment Solutions for Heavy Duty applications. Dinex' technologies are today in use by Aftermarket and OEM customers in Europe, North America and Asia where they in compliance with local emission legislation is actively contributing to the reduction of harmful pollutants, such as ultra-fine particles and NOX-gasses in the exhaust gas of internal combustion engines operating on Diesel and Natural Gas fuels. Dinex' technologies are already compatible with future low-carbon fuels such as bio-diesel, HVO, synthetic fuels and Hydrogen.

In 2023, Dinex has continued the work started in 2022 to support future emission regulation, by developing jointly with OEM customers technology concepts for Euro 7, Stage VI and their equivalent standards in North America, India and China. The EU is still processing the Euro 7 standard, and it appears now that implementation is being postponed to 2028-2029.

2023 was also the year where the plans to develop Catalyst Coated Membranes for Fuel Cell Electric Vehicles materialized, with the start up of a new separate laboratory in Germany staffed for the development of low-carbon transport solutions.

### Our CSR focus in 2023 – activities and results

Dinex' activities within CSR and Sustainability are organized under our publicly available Sustainability Policy, defining targets and outlining 4 areas of specific focus:

1. Sustainable use of materials (environmental and indirect carbon footprint concerns)
2. Sustainable consumption of resources (environmental and direct carbon footprint concerns)
3. Socially sustainable employer (mainly employee relations and well-being concerns)
4. Partnerships for sustainability (mainly supply chain, societal and product concerns)

Within the framework of this policy Dinex is collecting data from all it's global sites and defining activities to improve the footprint of its operations. The majority of data points are in line with UN Sustainable Development Goals, and the results are shared in an annual ESG report, of which the most recent was published mid-year 2023. It is to be noted that the Group does not coordinate any CSR activities in companies with the status of passive investment, and collects only data related to resource consumption as a part of the monthly financial reporting, for the purpose of mapping climate footprint.

#### 1. Sustainable use of materials (environment)

The primary risk of our material consumption, both direct (product-related) and indirect (process consumables) is if we:

- Consume materials inefficiently.
- Fail to reuse materials that are still usable for alternative purposes.

- Fail to recycle waste materials in the most environmentally friendly way.
- Consume materials with a higher environmental or climate impact when alternatives are available.

The effect of such risks can lead to a higher environmental impact and an increased indirect carbon footprint. It can also lead to reputational damage, criticism by stakeholders, and failure to comply to legal and customer expectations.

Dinex complies with all legal obligations in its daily handling of waste materials. Moreover, as an example of our continuous strive towards improvements, the environmental management system of all production units is certified according to ISO 14001 which ensures that key trends within use and consumption of materials are monitored, and that reduction targets and activities are constantly defined.

Specifically, Dinex has been focusing in 2023 to reduce material wastes due to production and other quality failures in it's processes, and has achieved significant improvements in major production sites. The focus to reduce waste from poor quality will continue in 2024.

## 2. Sustainable consumption of resources (climate)

Resource consumption is traced in Dinex in the form of mainly usage of electricity, fuels, and services such as transportation and travelling. The primary risk of our resource consumption is if we increase our emissions of greenhouse gasses.

The 2023 GHG reporting is still preliminary, as many sites are still awaiting their final utility settlements, but the below figures will maximum deviate by 5% when all is settled.

Scope	2021	2022	2023 (preliminary)
Scope 1	3.890,9 ton	4.121,1 ton	3.956,9 ton
Scope 2	6.800,6 ton	6.196,2 ton	5.585,0 ton
<b>Total Scope 1 &amp; 2</b>	<b>10.691,5 ton</b>	<b>10.317,3 ton</b>	<b>9.542,0 ton</b>
Scope 3 (transport only)	10.207,0 ton*	Not calculated*	Not calculated*
<b>Total Scope 1,2 &amp; 3</b>	<b>20.898,5 ton</b>	<b>N/A</b>	<b>N/A</b>

\*2021 Scope 3 Transport figure is based on the GHG Protocol spend-based model, which due to the drastic increase in transport prices during 2022 was deemed inappropriate going forward. A new and more accurate methodology is in preparation, which will be used for 2022 and 2023 with reverse effect.

Preliminary results shows a reduction in total GreenHouse Gasses in the Dinex Group of 6%, and in relation to activity level by 9% (measured as CO2 emitted per value-adding production hour). . The main trend drivers that has affected the emission of GreenHouse Gasses in 2023 are:

- Ramp-up of a new production site in China specialized in production of next generation Particulate Filters for global use for Dinex customers. The processes are highly energy intensive, and contributes with over 1.000 additional tonnes of GreenHouse Gas emissions.
- The effect of this ramp up is nearly balanced out by the complete closure of Dinex Finland, which in 2022 contributed with more than 800 tonnes of GreenHouse Gas emissions due to very energy intensive processes.
- A significant increase of activity level in Dinex India, which was nearly balanced out due to process optimizations.
- The decision mid-year 2023 to source all electricity consumption in Dinex Turkey from renewable sources, which has saved in the range 1.200 tons of CO2
- A general increase in activity level in both Latvia and Turkey as a result of energy-intensive processes being transferred from Dinex Finland

As a part of strategic planning, Dinex has decided to form a long-term roadmap for our reduction of GreenHouse Gasses, breaking our targeted reduction from 2021 level, into the following steps:

- 2030: ÷50%
- 2035: ÷75%
- 2040: ÷100%

The roadmap will outline the major activities to bring down our emissions in the coming years, supporting the running target setting of 5-10% reduction year over year, which all Dinex locations are committing to at the annual target setting in January, and are accountable for achieving through locally defined activities.

#### **Statement on climate accounting practices:**

All reporting of climate related emissions are stated in the unit CO<sub>2</sub>e always calculated using latest available GWP figures available. Reporting period runs from the 1st of January to 31st of December.

No Dinex locations are excluded from the reporting, except Joint Ventures. Scope 1 includes all combustion of the following materials, at Dinex' locations and company owned/leased vehicles:

Fuel	Reporting unit	Energy content [kWh/unit]	GHG emissions [tons CO <sub>2</sub> e/MWh]	Source
Natural gas (public supply)	[cbm]	11,270	0,240	LCA Factors, European Commission 2017
Diesel fuel	[liters]	10,722	0,306	LCA Factors, European Commission 2017
Petrol	[liters]	9,500	0,314	LCA Factors, European Commission 2017
Heating oil	[cbm]	10.350,000	0,306	Local information
LPG (bottled)	[kg]	13,600	0,281	LCA Factors, European Commission 2017
Natural gas (bottled)	[kg]	15,300	0,240	Local information

Scope 1 also includes refrigerants consumed for servicing air condition units at our premises. GHG potential of the refrigerants used are based on IPCC's Fifth Assessment report.

Scope 2 is calculated using the latest set of Production Mix Emission Factors available from Carbon Footprint Ltd's annual Electricity Factors publication, which consolidates the most recent figures from the Association of Issuing Bodies and Climate Transparency reports. The only cases where Market figures are being used, are in cases where a specific site has consumed electricity in partial from renewable sources, which has not been the case in this reporting period.

### **3. Socially sustainable employer (human rights and resources)**

As an employer who prioritizes and strives towards what we refer to as "social sustainability", a Dinex' aim is not only to ensure a decent workplace, but also a workplace which motivates, engages and develops its employees. The primary risks if we fail to do so is if we:

- Fail to comply to Ethical policy and Code of Conduct of decent employment.
- Loose employees due to lack of satisfaction with the conditions of employment or the work environment.
- Gain a poor reputation as an employer, affecting our ability to attract future need competences.

Dinex respects human rights, including gender, race, color, religion or belief, political opinion, sexual orientation, age, disability and national, social, or ethnic origin. In order to mitigate the risk, the Group has an open communication culture, conducts subsidiary-visits and urges for any critical circumstances to be notified to Group Management. Human rights are handled within the guidelines of the Group Code of Conduct.

The Group endorses the protection of internationally proclaimed human rights, and anyone who works directly or indirectly for Dinex Group should be entitled to his or her human rights.

The Group does not allow modern slavery, i.e., servitude and forced or compulsory labor and human trafficking. It is confirmed that the Group Management for this reporting year is not aware of examples of human rights violations and do not expect this in the years to come.

Dinex is continuing to actively promote our 5 company values in our relations internally, to customers and to suppliers. It is our belief that the values represent a healthy, motivating, and fair work approach and leadership discipline, and it is important for us that decisions, failures and successes are seen in relation to our values, disregarding where in the world we operate. This we secure continuously through our leadership policies, our onboarding of new employees and regular training of existing ones.

In 2023 the group conducted again a Global Employee Engagement survey among all employees in all locations, and all layers of the organization. The overall average result increased to 4,0 on a scale of 1-5, which is an improvement compared to 2022 which landed at 3,9. Naturally the survey results are more diverse with specific areas in specific locations improving, and others decreasing, which is why the natural outcome of the engagement survey yet again is the custom, localized action plans prepare by each HR function and General Manager, for improving the biggest gaps until next year.

The methodology for the Global Employee Engagement Survey was again, like previous years, an online survey where the employees are asked to assign a rating from 1 (completely disagree) to 5 (completely agree) to how they consider a number of statements within the categories:

- Company Values
- Strategy
- Engagement
- Wellbeing
- Information
- Knowledge
- Assignments (workload)
- Development (personal)
- Colleagues
- Manager

Questions within each the areas may vary from year to year, in order to address current related topics. The final score is a calculated average of typically 40-45 statements.

#### **4. Partnerships for sustainability (supply chain, society, and innovations)**

The primary risks if Dinex does not comply to its responsibility as a partner for promoting and enabling practices for aiding the sustainable agenda, is:

- If we do not support our customers' ambitions within sustainability.
- If we do not manage to push our suppliers to support our ambitions within sustainability.



- If we do not support local initiatives for sustainability in the local communities in which we operate.
- If we do not manage to develop technological solutions to support future trends within cleaner and greener mobility.

Dinex' customers have a long history of setting ambitious demands to its suppliers for aiding sustainability. Our European OEM customers are all part of the Global Automotive Sustainability Guiding Principles, which requires Dinex to report and document its compliance annually in an online Self-Assessment Questionnaire. Dinex is reporting in compliance with version 5.0 of this questionnaire.

Each year Dinex is increasing its spend with suppliers who are committed to Dinex' Code of Conduct, and are thereby pushing similar sustainability and ethical principles down through its supply chain. Our target is to have at least 95% of our suppliers committed, whereas the latest reports showed an increase to 73%. We expect to achieve our target in 2024.

In 2023 our plans to develop components for heavy duty hydrogen fuel cell powertrains materialized, as we inaugurated our dedicated R&D laboratory in southern Germany, along with hiring the organization to work there. The team is currently working on presenting the first prototype, and progress will be shared with the market at the IAA exhibition in September 2024. Dinex considers hydrogen as a key step to decarbonize heavy road transport, and considers this as an important contribution to climate action in the industry.

### **Work Environment**

Dinex' primary key figures for Work Environment is Unexpected Turnover and Short-Term Sickness. Unexpected turnover is calculated as a percentage representing the number of employees out of the total hired, who within the reporting period have decided at their own initiative to resign from their position at Dinex. Short term sickness is reported as a percentage of all work hours expected available within the reporting period, which was lost due to absence caused by unexpected sickness, lasting no more than 10 working days in total.

With a level of 0,9% on the group level, the unexpected turnover of employees (employees resigning from Dinex at their own initiative), our internal targets were met. The only outlier in this data was Dinex Turkey which was highly driven by the inflation tendency in the market, which made the labor market highly competitive. With close follow-up and support from Group HR and Finance, the situation was kept under control and minimum effect on daily operations were avoided.

Short term sickness did not meet our targets, with 2,9% against a target of 2,0%. The trend was highly driven by Dinex Latvia, where employee well-being, health & safety, and a closer leadership is – this serves as learning which will be spread out to other local entities via Vision Zero.

Mental well-being has generally been a major topic for focus in the group, with several local activities initiated. An example in Denmark was invitation of external speakers to promote better work balance, company sponsored sports activities, and other well-being awareness activities.

### **Circularity in the Aftermarket**

Dinex continues to push for alternative solutions for the Aftermarket that promotes more durable products, and solutions that are easier to do targeted repairs for, rather than having to replace entire units.

In 2023 Dinex started the development of a range of new products which will allow customers to easily exchange only the component that has failed, without having to turn to 3rd party remanufacturing. Some of these solutions will allow end-users to save up to an estimated 96% of the production footprint when a failure occurs. The

products will all be promoted at the upcoming Automechanika fair in Frankfurt September 2024.

### **Looking ahead**

Inspired by a number of operational improvements achieved via an increased attention to employee well-being and ergonomic awareness and workplace organization, Dinex has formulated a global initiative accelerate all Health, Safety and Ergonomics activities into a global strategic project named "Vision Zero". The project is run by a cross-functional team, with participants from both group management and functional leaders.

A declared goal of the project in 2024 is to map critical risks in all sites and initiate actions to mitigate, to implement a system that secures continued compliance, and to train leaders to show the needed commitment, accountability, and ability to motivate further progress in the organization.

Our Sustainability activities have at the same time been adopted in Vision Zero, as many of the disciplines and working principles are similar.

Besides Vision Zero, Dinex is working intensively to be ready for the first CSRD compliant reporting in 2025. The first steps to conduct our double materiality assessment were taken in December 2023, and it is expected to be completed medio 2024. The outcome will most likely result in a slight adjustment of our current ESG reporting principles and structure, but it is not expected to be a major change of already ongoing practices within the area of ESG.

### **Statutory report on Anti-corruption**

Dinex operates with local entities in 13 countries globally, some in regions where certain common business culture is different from that of western ethics and morality, resulting in a potential risk of corrupt behavior. For this reason, we have mandatory onboarding of all new employees to introduce our corporate policies – specifically our Code of Conduct and External Relations Policy – in which we take a clear stand as having zero-tolerance to any form of gifts, cash-payments, kick-back, or other types of services and practices with the clear intention of affecting decision making through unfair trade practices.

All Dinex employees are expected to refrain from using such practices, reject such if offered to themselves by either customers, suppliers, or other internal and external parties, and furthermore to report any knowledge about situations of non-compliance to Group Management.

We also welcome any external parties that gain knowledge of non-compliant practices involving the Dinex Group, to report such knowledge to the Group Management. Doing so is possible for all via, disregarding nationality or position, via our online Whistleblower / Grievance system. The system is publicly available through the Dinex website ([www.dinex.net](http://www.dinex.net)), and using it will result in an anonymized (if the reporter wishes to) message to the local general manager of the entity involved, with a copy shared to the Group CHRO.

As a result of the work we're doing to prevent corruption in the Dinex Group, the management has no awareness of, or seen any reason to suspect, that breaches of our policies during 2023.

With a view to future focuses and activities, Dinex will emphasis even more on ethical leadership and setting the tone from the top on anti-corruption. This includes ensuring that top management demonstrates a commitment to integrity and ethical behaviour, leading by example, and holding themselves and others accountable for compliance with anti-corruption requirements. Furthermore we wish to bring all global pre- & onboarding processes to the next level and thereby further increase awareness and focus on anti-corruption policies, procedures, regular audits, and trainings.

### Statutory report on the underrepresented gender

The automotive industry, in this regard both the Aftermarket and the OEM industry, is a highly male-dominated segment, with few outliers in terms of specific functions. This fact is also reflected in Dinex' gender composition, where men represent the majority.

Dinex considers gender diversity as an advantage: In terms of team effectiveness, in terms of a more holistic leadership, and in terms of better decision making. The low share of women we see in certain organizational layers is not a result of a deliberate way of working or recruiting. We wish to pursue a more equal composition in all organizational levels, thus respecting that with the way the labor market in the automotive industry is composed today, it is not realistic within a foreseeable time frame to achieve a completely equal composition (40/60 share). Our targets represent what we see as realistic within a 4-year time frame.

Leadership level		2019	2020	2021	2022	2023
Dinex A/S	Board of Directors					
	Total members	6	6	6	6	6
	Share of underrepresented gender	0%	16%	16%	16%	16%
	Target share	30%	30%	30%	30%	33%
	Expected year of achievement	N/A	N/A	N/A	N/A	2028
	Executive Board					
	Total members	1	1	1	1	2
	Share of underrepresented gender	0%	0%	0%	0%	0%
	Target share	N/A	N/A	N/A	N/A	N/A
	Expected year of achievement	N/A	N/A	N/A	N/A	N/A
	Top Leadership level (in accordance with "Other Management level" as per 99b)					
	Total members	5	8	5	5	6
	Share of underrepresented gender	20%	25%	0%	0%	33%
	Target share	30%	30%	30%	30%	Target reached
	Expected year of achievement	N/A	N/A	N/A	2023	
Full leadership level (all employees with management responsibility)						
Total members	14	15	15	18	15	
Share of underrepresented gender	21%	27%	27%	33%	20%	
Group	Full global leadership level (all employees with management responsibility)					
	Total members	N/A	N/A	N/A	N/A	108
	Share of underrepresented gender	N/A	N/A	N/A	22%	25%
	All White Collar employees					
	Total members	N/A	N/A	N/A	336	335
	Share of underrepresented gender	39%	35%	35%	41%	34%
	Total Employees					
Total members	1.513	1.438	1.626	1.890	1.866	
Share of underrepresented gender	20%	18%	18%	17%	15%	

We are satisfied with the gender composition of the Top Leadership level for which we achieved a 33% share of the underrepresented gender, and thereby meets the definition of equal share, and for this reason a new target has not been defined, as we will focus our efforts in other organizational levels.

Dinex is actively pursuing the ambitions with a number of specific activities. In 2023 we revisited our templates for job advertisements to avoid wordings or sentences that unintentionally creates gender bias, and thus limiting the number of female candidates for open positions.

We have also several times promoted female employees working in traditionally male-dominated roles in our marketing activities, notably within R&D and Engineering positions, in order to pay a contribution to the breaking down of gender prejudices.

Finally, our Group Leadership team is actively engaged in an industry association called Talents4AA, where our CHRO and CSO is leading a taskforce to attract women to the Automotive Aftermarket.

### **Statutory report on data ethics policy**

Dinex takes its responsibility as data controller seriously, as we want to be perceived as a respected, competent, and proper business partner who complies with current legislation and follows developments in good data ethics.

The 3 principles of the Dinex policy on data ethics and responsible handling of personal data:

1. Respect for the privacy of grant recipients, applicants and employees is a fundamental value.
2. All Dinex employees who access personal data, proprietary knowledge, trade secrets etc., have signed a declaration of confidentiality. Any such data is always kept to a minimum in order to fulfil the purpose, is stored securely, kept accurate, retained for no longer than necessary, and is only used for a specific and legitimate business.
3. Dinex only discloses the applicants' data to authorities if there is an obligation to do so according to legislation and authority decisions.

The Group recognizes that our most effective tool to prevent improper data handling, is to train our employees, and has therefore in 2023 intensified its focus on teaching good data practices among employees. We have conducted several online, interactive training modules teaching the risks of improper data handling, which are mandatory for all employees to complete and pass. To verify the efficiency of these training courses we regularly test employees' awareness of threats by sending out false requests to select groups of employees and register their actions to those. This is an initiative that will be ongoing throughout 2024 as well.

### **Events after the balance sheet date**

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

# Consolidated income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Revenue	3	2,035,373	2,208,622
Production costs		(1,468,584)	(1,691,742)
<b>Gross profit/loss</b>		<b>566,789</b>	<b>516,880</b>
Distribution costs		(142,283)	(150,345)
Administrative expenses	4	(213,702)	(183,694)
Other operating income	7	6,655	15,082
Other operating expenses		(4,466)	(9,708)
<b>Operating profit/loss</b>		<b>212,993</b>	<b>188,215</b>
Income from investments in associates		(5,303)	(9,255)
Other financial income	8	2,700	679
Other financial expenses	9	(130,536)	(67,470)
<b>Profit/loss before tax</b>		<b>79,854</b>	<b>112,169</b>
Tax on profit/loss for the year	10	(29,822)	(28,622)
Other taxes		(6,355)	(7,290)
<b>Profit/loss for the year</b>	11	<b>43,677</b>	<b>76,257</b>

# Consolidated balance sheet at 31.12.2023

## Assets

	Notes	2023 DKK'000	2022 DKK'000
Completed development projects	13	44,724	49,793
Acquired licences		10,784	11,691
Development projects in progress	13	33,457	36,019
<b>Intangible assets</b>	12	<b>88,965</b>	<b>97,503</b>
Land and buildings		255,135	251,365
Plant and machinery		202,036	183,560
Other fixtures and fittings, tools and equipment		54,366	41,587
Property, plant and equipment in progress		33,966	86,484
<b>Property, plant and equipment</b>	14	<b>545,503</b>	<b>562,996</b>
Investments in associates		42,010	48,670
Other receivables		1,168	2,229
Deferred tax	16	62,977	28,246
<b>Financial assets</b>	15	<b>106,155</b>	<b>79,145</b>
<b>Fixed assets</b>		<b>740,623</b>	<b>739,644</b>
Raw materials and consumables		184,774	202,837
Work in progress		26,500	45,750
Manufactured goods and goods for resale		177,380	156,321
<b>Inventories</b>		<b>388,654</b>	<b>404,908</b>

Trade receivables		381,110	390,887
Receivables from associates		8,774	0
Other receivables		106,624	103,788
Tax receivable		20,607	45,391
Prepayments	17	13,170	15,155
<b>Receivables</b>		<b>530,285</b>	<b>555,221</b>
<hr/>			
<b>Cash</b>		<b>132,412</b>	<b>141,114</b>
<hr/>			
<b>Current assets</b>		<b>1,051,351</b>	<b>1,101,243</b>
<hr/>			
<b>Assets</b>		<b>1,791,974</b>	<b>1,840,887</b>
<hr/>			

**Equity and liabilities**

		<b>2023</b>	<b>2022</b>
	<b>Notes</b>	<b>DKK'000</b>	<b>DKK'000</b>
Contributed capital	18	2,250	2,250
Retained earnings		349,051	332,722
<b>Equity</b>		<b>351,301</b>	<b>334,972</b>
Deferred tax	16	27,924	26,779
Other provisions	19	377	376
<b>Provisions</b>		<b>28,301</b>	<b>27,155</b>
Subordinate loan capital		200,000	200,000
Mortgage debt		58,665	36,335
Bank loans		55,000	123,000
Finance lease liabilities		16,636	11,271
<b>Non-current liabilities other than provisions</b>	20	<b>330,301</b>	<b>370,606</b>
Current portion of non-current liabilities other than provisions	20	70,207	69,349
Bank loans		774,737	682,214
Trade payables		162,609	226,448
Tax payable		9,978	15,713
Other payables		64,540	114,430
<b>Current liabilities other than provisions</b>		<b>1,082,071</b>	<b>1,108,154</b>
<b>Liabilities other than provisions</b>		<b>1,412,372</b>	<b>1,478,760</b>
<b>Equity and liabilities</b>		<b>1,791,974</b>	<b>1,840,887</b>
Business in Russia	1		
Events after the balance sheet date	2		
Staff costs	5		
Amortisation, depreciation and impairment losses	6		
Unrecognised rental and lease commitments	22		
Contingent liabilities	23		
Transactions with related parties	24		
Group relations	25		
Subsidiaries	26		



# Consolidated statement of changes in equity for 2023

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	2,250	340,739	342,989
Adjustment of material errors	0	(8,017)	(8,017)
<b>Adjusted equity, beginning of year</b>	<b>2,250</b>	<b>332,722</b>	<b>334,972</b>
Exchange rate adjustments	0	(27,348)	(27,348)
Profit/loss for the year	0	43,677	43,677
<b>Equity end of year</b>	<b>2,250</b>	<b>349,051</b>	<b>351,301</b>

# Consolidated cash flow statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Operating profit/loss		212,993	188,215
Amortisation, depreciation and impairment losses		78,180	69,321
Other provisions		0	(221)
Working capital changes	21	(87,041)	(148,682)
Currency adjustments		(68,670)	(24,509)
<b>Cash flow from ordinary operating activities</b>		<b>135,462</b>	<b>84,124</b>
Financial income received		1,683	679
Financial expenses paid		(72,415)	(49,218)
Taxes refunded/(paid)		(50,715)	(49,005)
<b>Cash flows from operating activities</b>		<b>14,015</b>	<b>(13,420)</b>
Acquisition etc. of intangible assets		(16,371)	(24,437)
Acquisition etc. of property, plant and equipment		(59,169)	(103,229)
Sale of property, plant and equipment		89	6,474
Dividends received		0	4,627
Investment in associated companies		(343)	0
<b>Cash flows from investing activities</b>		<b>(75,794)</b>	<b>(116,565)</b>
<b>Free cash flows generated from operations and investments before financing</b>		<b>(61,779)</b>	<b>(129,985)</b>
Loans raised		92,523	198,026
Repayments of loans etc.		(46,032)	(80,111)
Raising of financial leasing		6,586	0
<b>Cash flows from financing activities</b>		<b>53,077</b>	<b>117,915</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>(8,702)</b>	<b>(12,070)</b>

Cash and cash equivalents beginning of year	141,114	153,184
<b>Cash and cash equivalents end of year</b>	<b>132,412</b>	<b>141,114</b>

---

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

Cash	132,412	141,114
<b>Cash and cash equivalents end of year</b>	<b>132,412</b>	<b>141,114</b>

---

# Notes to consolidated financial statements

## 1 Business in Russia

The Russian sales and manufacturing subsidiary produces exhaust systems with catalytic technologies for heavy-duty applications (trucks, etc.). Based on the previous setup and to continue compliance with EU sanctions, the operational management of the Russian business is handed over to local management. However, the passive ownership and the control over the Russian company has been maintained and therefore the subsidiary is fully consolidated within Dinex Group financial statements.

At the balance sheet date, the Russian subsidiary is recognised in the consolidated financial statements with revenue totalling DKK 289m (2022: DKK 365m), assets totalling DKK 168m (2022: DKK 155m) and in the financial statements with net assets totalling DKK 106m (2022: DKK 100m.)

The Russian subsidiary's profit for 2023 accounts for the considerable share of the Group's and the Parent's results. The activity level in Russia has been maintained at an unchanged level with an increased profit. Activity level and profit is expected to be maintained at the current level in 2024 as a minimum.

The Group has carried out an impairment test that supports the valuation of the Russian subsidiary. Assumptions of the impairment test are based on Management's budget for 2024 and forecast with annual growth of 5% until 2028. No growth in the terminal period has been assumed. The exchange rate used in forecast for 2025-28 is assumed to be unchanged at the budget level for 2024 at 0,07225. A discount rate of 18.9% was used for the impairment test.

The impairment test does not show any indication of impairment.

As it appears from the general media coverage and as also stated in the management commentary, due to the geopolitical situation, there is increased risks associated with the Group's net assets in Russia.

Dinex is closely following the development in Ukraine and comply with sanctions decided by US/EU against Russia. Dinex has and will continue to adapt the business and management setup on an ongoing basis, taking into account increased requirements and continuous tightening of sanctions in Russia.

## 2 Events after the balance sheet date

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

### 3 Revenue

	2023	2022
	DKK'000	DKK'000
Europe	530,590	606,241
Turkey and middle east	787,149	788,374
Russia	289,162	365,021
Asia	274,609	265,828
Other	153,863	183,158
<b>Total revenue by geographical market</b>	<b>2,035,373</b>	<b>2,208,622</b>
AEM	544,763	547,512
OEM	1,490,610	1,661,110
<b>Total revenue by activity</b>	<b>2,035,373</b>	<b>2,208,622</b>

### 4 Fees to the auditor appointed by the Annual General Meeting

	2023	2022
	DKK'000	DKK'000
Statutory audit services	1,568	1,304
Other assurance engagements	9	0
Tax services	464	1,511
Other services	165	0
	<b>2,206</b>	<b>2,815</b>

### 5 Staff costs

	2023	2022
	DKK'000	DKK'000
Wages and salaries	219,234	223,822
Pension costs	7,829	5,896
Other social security costs	48,120	40,209
	<b>275,183</b>	<b>269,927</b>

Average number of full-time employees	<b>1,866</b>	1,890
---------------------------------------	--------------	-------

	Remuneration of Manage- ment 2023 DKK'000	Remuneration of Manage- ment 2022 DKK'000
Total amount for management categories	8,651	6,778
	<b>8,651</b>	<b>6,778</b>

## 6 Depreciation, amortisation and impairment losses

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Amortisation of intangible assets	21,575	18,769
Depreciation on property, plant and equipment	56,338	51,476
	<b>77,913</b>	<b>70,245</b>

## 7 Other operating income

Other operating income in 2023 mainly consists of government allowances received outside of Denmark, whereas 2022 primarily consisted of income from sale of fixed assets.

## 8 Other financial income

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Other interest income	0	679
Exchange rate adjustments	1,017	0
Other financial income	1,683	0
	<b>2,700</b>	<b>679</b>

## 9 Other financial expenses

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Other interest expenses	58,122	49,218
Exchange rate adjustments	72,414	18,252
	<b>130,536</b>	<b>67,470</b>

## 10 Tax on profit/loss for the year

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Current tax	52,182	31,433
Change in deferred tax	(35,750)	(2,811)
Adjustment concerning previous years	13,390	0
	<b>29,822</b>	<b>28,622</b>

## 11 Proposed distribution of profit/loss

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Retained earnings	43,677	76,257
	<b>43,677</b>	<b>76,257</b>

## 12 Intangible assets

	<b>Completed development projects DKK'000</b>	<b>Acquired licences DKK'000</b>	<b>Development projects in progress DKK'000</b>
Cost beginning of year	153,888	36,944	36,019
Exchange rate adjustments	(2,272)	(233)	(177)
Transfers	5,299	2,362	(7,661)
Additions	10,333	761	5,276
Disposals	(15,037)	(12,986)	0
<b>Cost end of year</b>	<b>152,211</b>	<b>26,848</b>	<b>33,457</b>
Amortisation and impairment losses beginning of year	(104,095)	(25,253)	0
Exchange rate adjustments	1,568	105	0
Amortisation for the year	(18,299)	(3,276)	0
Reversal regarding disposals	13,339	12,360	0
<b>Amortisation and impairment losses end of year</b>	<b>(107,487)</b>	<b>(16,064)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>44,724</b>	<b>10,784</b>	<b>33,457</b>

## 13 Development projects

Development projects are recognized on the basis of expected future exploitation and when potential future market or technology in the business can be established.

Current advanced development projects include, among other things stage V after-treatment technologies for the European off-road market, BSVI, CEV-V and CPCB+ after-treatment technologies for the Indian market, and finally improvements to CN6 after-treatment systems and component technologies for the Chinese markets.

All the projects share the view that they reflect current and future environmental requirements for the respective markets and are thus considered a prerequisite for the future economic growth in these markets.

Through the company's long established know-how in emission technologies and its advanced test center facilities they consider the development projects technically feasible to complete and intend to utilize future technology in the respective markets where they already have established sales channels and unique customer relations.

The valuation of the recognized development projects is based on the actual costs incurred for the development projects. The time registration of employees involved in the development projects considers it reliable and possible to measure the costs attributable to the individual projects.

## 14 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	316,054	477,054	122,532	86,484
Exchange rate adjustments	(3,649)	(10,315)	(1,433)	(3,772)
Transfers	3,391	31,980	17,992	(53,362)
Additions	11,609	21,467	13,561	12,599
Disposals	0	(31,197)	(12,511)	(7,983)
<b>Cost end of year</b>	<b>327,405</b>	<b>488,989</b>	<b>140,141</b>	<b>33,966</b>
Depreciation and impairment losses beginning of year	(64,689)	(293,494)	(80,945)	0
Exchange rate adjustments	1,538	5,603	868	0
Depreciation for the year	(9,041)	(34,505)	(12,792)	0
Reversal regarding disposals	(78)	35,443	7,094	0
<b>Depreciation and impairment losses end of year</b>	<b>(72,270)</b>	<b>(286,953)</b>	<b>(85,775)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>255,135</b>	<b>202,036</b>	<b>54,366</b>	<b>33,966</b>
Recognised assets not owned by Entity	0	12,435	35	0

## 15 Financial assets

	Investments in associates DKK'000	Other receivables DKK'000	Deferred tax DKK'000
Cost beginning of year	29,459	2,229	28,246
Additions	343	3	34,731
Disposals	0	(1,064)	0
<b>Cost end of year</b>	<b>29,802</b>	<b>1,168</b>	<b>62,977</b>
Revaluations beginning of year	19,211	0	0
Exchange rate adjustments	(1,700)	0	0
Share of profit/loss for the year	(5,303)	0	0
<b>Revaluations end of year</b>	<b>12,208</b>	<b>0</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>42,010</b>	<b>1,168</b>	<b>62,977</b>

Associates	Registered in	Ownership %
JV Dinex Tongda Emission Solutions Co.	China	50
JV Active Dinex Emission Solutions Pvt. Ltd.	India	50



## 16 Deferred tax

	2023	2022
	DKK'000	DKK'000
Intangible assets	(13,311)	(14,296)
Property, plant and equipment	(28,257)	(26,346)
Inventories	2,195	1,059
Receivables	161	769
Liabilities other than provisions	4,268	9,872
Tax losses carried forward	70,576	31,157
Other taxable temporary differences	(579)	(748)
<b>Deferred tax</b>	<b>35,053</b>	<b>1,467</b>

	2023	2022
	DKK'000	DKK'000
<b>Changes during the year</b>		
Beginning of year	1,467	(459)
Recognised in the income statement	35,750	1,711
Other changes	(2,164)	215
<b>End of year</b>	<b>35,053</b>	<b>1,467</b>

	2023	2022
	DKK'000	DKK'000
<b>Deferred tax has been recognised in the balance sheet as follows</b>		
Deferred tax assets	62,977	28,246
Deferred tax liabilities	(27,924)	(26,779)
	<b>35,053</b>	<b>1,467</b>

### Deferred tax assets

Deferred tax assets is recognized for all non-utilized tax losses to the extent that it is considered likely that tax profits will be realized within a foreseeable period in which the losses can be offset/used. Determination of the amount that may be recognized for Deferred tax assets shall be based on estimates of the probable date and size of future taxable profits. Further more Deferred taxes are primarily due to unutilized taxation in Denmark and the United States of America. United States of America is a primary growth market in 2023 and 2024, which is why the unutilized taxation is expected to be utilized in connection with positive earnings in the coming years.

Over the past year, extensive optimizations have been made around the management of the American company. The sales force has changed from agents to its own sales force and all internal processes have been improved, so the company is ready for future growth, as the significant inflow of new customers has shown. Revenue growth is expected to be +20% p.a. until 2028.

AEM, The market for spare parts for heavy trucks "classes 7+8" is approx. DKK 8 billion and Dinex's market share in 2023 was approx. 2% and this is expected to rise sharply over the coming years, and will thus amount to 6% in the years leading up to 2028, making it possible for investments in new catalogs and systems for EPA 10,14 and 17 trucks in the USA. The number of trucks in the US is currently approx. 8 million vehicles and there is an increased need for high value replacement parts for DPF, SCR and DOC catalytic units on trucks in the USA.

OEM is expected to grow double in the coming years due to new agreements with American customers such as

Caterpillar, Carrier and Volvo VCE. Ebitda is expected to double every year in the coming years, until the strategic level for the group of +16% is expected to be achieved in 2027/2028

The uncertainty concerning the tax asset relates in particular to the USA and whether the positive exploitation reaches such a high level that the entire tax asset has been exploited within a period of approximately 5 years. Management expects that the conditions for activation can be realized.

### 17 Prepayments

Consists of prepayments regarding insurance, marketing etc.

### 18 Contributed capital

	Number	Par value DKK'000	Nominal value DKK'000	Recorded par value DKK'000
Shares	2,250,000	1.00	2,250	2,250
	<b>2,250,000</b>		<b>2,250</b>	<b>2,250</b>

### 19 Other provisions

Consists of expected cost related to litigation.

### 20 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK'000	Due within 12 months 2022 DKK'000	Due after more than 12 months 2023 DKK'000	Outstanding after 5 years 2023 DKK'000
Subordinate loan capital	0	0	200,000	200,000
Mortgage debt	3,600	2,891	58,665	27,503
Bank loans	61,000	61,797	55,000	0
Lease liabilities	5,607	4,661	16,636	0
	<b>70,207</b>	<b>69,349</b>	<b>330,301</b>	<b>227,503</b>

### 21 Changes in working capital

	2023 DKK'000	2022 DKK'000
Increase/decrease in inventories	26,535	(48,296)
Increase/decrease in receivables	152	(45,864)
Increase/decrease in trade payables etc.	(113,728)	(54,522)
	<b>(87,041)</b>	<b>(148,682)</b>

### 22 Unrecognised rental and lease commitments

	2023 DKK'000	2022 DKK'000
Total liabilities under rental or lease agreements until maturity	<b>108,576</b>	<b>72,303</b>

## 23 Contingent liabilities

The group is engaged in some legal cases. It is management expectations that the outcome of these cases are reflected in the financial statement.

## 24 Transactions with related parties

Informations about transactions with related parties are only listed in the annual report if these transactions have not been carried out on a market term basis. There have not been conducted such transactions in the financial year.

## 25 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
3C Holding 2021 ApS, Odense

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
Dinex A/S, Middelfart

## 26 Subsidiaries

	Registered in	Corporate form	Ownership %
Dinex Exhausts Ltd.	England	Ltd.	100.0
Dinex Latvia SIA	Latvia	Sia.	100.0
Dinex Italia SRL	Italy	SRL	100.0
Dinex Polska Sp. z.o.o	Poland	Sp. z.o.o	100.0
Dinex Iberica Sistemas de escape, S.L.U	Spain	S.L.U.	100.0
Dinex France SAS	France	SAS	100.0
Dinex Deutschland GmbH	Germany	GmbH	100.0
Dinex Emission Inc.	USA	Inc.	100.0
Dinex RUS LLC	Russia	LLC	100.0
Dinex Emission Solutions India Pvt. Ltd	India	Pvt. Ltd	100.0
Dinex Egzoz Ve Emisyon A.S	Turkey	A.S.	100.0
Dinex Emission System Changzhou Co., Ltd	China	Co., Ltd	100.0
Dinex Balkan D.O.O.	Serbia	D.O.O.	100.0
Dinex Ejendomme ApS	Denmark	ApS	100.0
Dinex Finland OY	Finland	OY	100.0
3C Fynsvej A/S	Denmark	A/S	100.0
Dinex DPF Technology co.ltd.	Changzhou	Co. LTD.	100.00

# Parent income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Revenue	1	288,276	216,167
Production costs		(264,114)	(213,280)
<b>Gross profit/loss</b>		<b>24,162</b>	<b>2,887</b>
Distribution costs		(12,868)	(34,591)
Administrative expenses		(129,965)	(122,675)
Other operating income	4	142,831	178,538
<b>Operating profit/loss</b>		<b>24,160</b>	<b>24,159</b>
Income from investments in group enterprises		75,795	83,606
Income from investments in associates		(5,303)	(9,255)
Other financial income	5	8,509	12,172
Other financial expenses	6	(65,856)	(35,698)
<b>Profit/loss before tax</b>		<b>37,305</b>	<b>74,984</b>
Tax on profit/loss for the year	7	7,395	1,273
Other taxes		(1,023)	0
<b>Profit/loss for the year</b>	8	<b>43,677</b>	<b>76,257</b>

# Parent balance sheet at 31.12.2023

## Assets

	Notes	2023 DKK'000	2022 DKK'000
Completed development projects	10	28,792	27,876
Acquired concessions		6,244	7,333
Development projects in progress	10	27,209	30,709
<b>Intangible assets</b>	9	<b>62,245</b>	<b>65,918</b>
Plant and machinery		15,519	14,609
Other fixtures and fittings, tools and equipment		3,041	4,055
Leasehold improvements		10,342	10,245
<b>Property, plant and equipment</b>	11	<b>28,902</b>	<b>28,909</b>
Investments in group enterprises		1,014,500	1,000,899
Investments in associates		42,010	48,670
<b>Financial assets</b>	12	<b>1,056,510</b>	<b>1,049,569</b>
<b>Fixed assets</b>		<b>1,147,657</b>	<b>1,144,396</b>
Raw materials and consumables		5,458	3,205
Work in progress		703	703
Manufactured goods and goods for resale		36,562	45,300
<b>Inventories</b>		<b>42,723</b>	<b>49,208</b>
Trade receivables		7,384	5,268
Receivables from group enterprises		341,640	280,089
Other receivables		8,324	1,655
Prepayments	13	5,529	4,409
<b>Receivables</b>		<b>362,877</b>	<b>291,421</b>
<b>Cash</b>		<b>4</b>	<b>7</b>
<b>Current assets</b>		<b>405,604</b>	<b>340,636</b>
<b>Assets</b>		<b>1,553,261</b>	<b>1,485,032</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2023</b> <b>DKK'000</b>	<b>2022</b> <b>DKK'000</b>
Contributed capital		2,250	2,250
Reserve for net revaluation according to equity method		351,996	323,585
Reserve for development costs		43,681	47,622
Retained earnings		(46,626)	(38,501)
<b>Equity</b>		<b>351,301</b>	<b>334,956</b>
Deferred tax	14	4,106	6,189
<b>Provisions</b>		<b>4,106</b>	<b>6,189</b>
Subordinate loan capital		200,000	200,000
Bank loans		26,000	141,000
Lease liabilities		12,021	9,928
Holiday pay obligation		4,261	0
<b>Non-current liabilities other than provisions</b>	15	<b>242,282</b>	<b>350,928</b>
Current portion of non-current liabilities other than provisions	15	64,005	36,000
Bank loans		771,966	666,740
Deposits		394	0
Trade payables		15,971	9,727
Payables to group enterprises		92,181	61,056
Other payables		11,055	19,436
<b>Current liabilities other than provisions</b>		<b>955,572</b>	<b>792,959</b>
<b>Liabilities other than provisions</b>		<b>1,197,854</b>	<b>1,143,887</b>
<b>Equity and liabilities</b>		<b>1,553,261</b>	<b>1,485,032</b>
Staff costs	2		
Amortisation, depreciation and impairment losses	3		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Related parties with controlling interest	19		
Transactions with related parties	20		

# Parent statement of changes in equity for 2023

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development costs DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	2,250	323,585	47,622	(30,468)	342,989
Adjustment of material errors	0	0	0	(8,017)	(8,017)
<b>Adjusted equity, beginning of year</b>	<b>2,250</b>	<b>323,585</b>	<b>47,622</b>	<b>(38,485)</b>	<b>334,972</b>
Exchange rate adjustments	0	0	0	(27,348)	(27,348)
Transfer to reserves	0	0	(3,941)	3,941	0
Profit/loss for the year	0	28,411	0	15,266	43,677
<b>Equity end of year</b>	<b>2,250</b>	<b>351,996</b>	<b>43,681</b>	<b>(46,626)</b>	<b>351,301</b>

# Notes to parent financial statements

## 1 Revenue

	2023	2022
	DKK'000	DKK'000
Denmark	8,885	0
Europe	279,391	216,676
<b>Total revenue by geographical market</b>	<b>288,276</b>	<b>216,676</b>
AEM	286,099	215,808
OEM	2,177	868
<b>Total revenue by activity</b>	<b>288,276</b>	<b>216,676</b>

## 2 Staff costs

	2023	2022
	DKK'000	DKK'000
Wages and salaries	80,018	89,158
Pension costs	4,186	4,362
Other social security costs	489	353
	<b>84,693</b>	<b>93,873</b>
Average number of full-time employees	81	71

	Remuneration of Management 2023 DKK'000	Remuneration of Management 2022 DKK'000
Total amount for management categories	8,651	6,778
	<b>8,651</b>	<b>6,778</b>

## 3 Depreciation, amortisation and impairment losses

	2023	2022
	DKK'000	DKK'000
Amortisation of intangible assets	13,822	12,395
Depreciation on property, plant and equipment	3,576	4,192
Profit/loss from sale of intangible assets and property, plant and equipment	0	(13)
	<b>17,398</b>	<b>16,574</b>

## 4 Other operating income

Other operating income consist of received management fee, royalties, it-fee and other administrative intercompany charges. Further more other operating income consist of sales of assets.



## 5 Other financial income

	2023	2022
	DKK'000	DKK'000
Financial income from group enterprises	8,334	6,735
Exchange rate adjustments	175	5,437
	<b>8,509</b>	<b>12,172</b>

## 6 Other financial expenses

	2023	2022
	DKK'000	DKK'000
Financial expenses from group enterprises	1,600	1,419
Other interest expenses	61,094	34,298
Exchange rate adjustments	3,162	(19)
	<b>65,856</b>	<b>35,698</b>

## 7 Tax on profit/loss for the year

	2023	2022
	DKK'000	DKK'000
Change in deferred tax	(8,034)	(1,475)
Adjustment concerning previous years	639	202
	<b>(7,395)</b>	<b>(1,273)</b>

## 8 Proposed distribution of profit and loss

	2023	2022
	DKK'000	DKK'000
Retained earnings	43,677	76,257
	<b>43,677</b>	<b>76,257</b>

## 9 Intangible assets

	Completed development projects DKK'000	Acquired concessions DKK'000	Development projects in progress DKK'000
Cost beginning of year	105,661	20,613	30,709
Additions	13,034	615	(3,500)
Disposals	0	(6,887)	0
<b>Cost end of year</b>	<b>118,695</b>	<b>14,341</b>	<b>27,209</b>
Amortisation and impairment losses beginning of year	(77,785)	(13,280)	0
Amortisation for the year	(12,118)	(1,704)	0
Reversal regarding disposals	0	6,887	0
<b>Amortisation and impairment losses end of year</b>	<b>(89,903)</b>	<b>(8,097)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>28,792</b>	<b>6,244</b>	<b>27,209</b>

## 10 Development projects

Development projects are recognized on the basis of expected future exploitation and when potential future market or technology in the business can be established.

Current advanced development projects include, among other things stage V after-treatment technologies for the

European off-road market, BSVI, CEV-V and CPCB+ after-treatment technologies for the Indian market, and finally improvements to CN6 after-treatment systems and component technologies for the Chinese markets.

All the projects share the view that they reflect current and future environmental requirements for the respective markets and are thus considered a prerequisite for the future economic growth in these markets.

Through the company's long established know-how in emission technologies and its advanced test center facilities they consider the development projects technically feasible to complete and intend to utilize future technology in the respective markets where they already have established sales channels and unique customer relations.

The valuation of the recognized development projects is based on the actual costs incurred for the development projects. The time registration of employees involved in the development projects considers it reliable and possible to measure the costs attributable to the individual projects.

## 11 Property, plant and equipment

	<b>Plant and machinery DKK'000</b>	<b>Other fixtures and fittings, tools and equipment DKK'000</b>	<b>Leasehold improvements DKK'000</b>
Cost beginning of year	79,719	14,145	18,819
Additions	3,028	208	11,440
Disposals	0	(169)	(10,938)
<b>Cost end of year</b>	<b>82,747</b>	<b>14,184</b>	<b>19,321</b>
Depreciation and impairment losses beginning of year	(65,110)	(10,090)	(8,574)
Depreciation for the year	(2,118)	(1,053)	(405)
<b>Depreciation and impairment losses end of year</b>	<b>(67,228)</b>	<b>(11,143)</b>	<b>(8,979)</b>
<b>Carrying amount end of year</b>	<b>15,519</b>	<b>3,041</b>	<b>10,342</b>
Recognised assets not owned by entity	12,312	0	3,698

## 12 Financial assets

	<b>Investments in group enterprises DKK'000</b>	<b>Investments in associates DKK'000</b>
Cost beginning of year	677,314	26,857
Additions	0	343
<b>Cost end of year</b>	<b>677,314</b>	<b>27,200</b>
Revaluations beginning of year	323,585	21,813
Exchange rate adjustments	(25,005)	(1,700)
Share of profit/loss for the year	73,763	(5,303)
Adjustment of intra-group profits	2,032	0
Dividend	(37,189)	0
<b>Revaluations end of year</b>	<b>337,186</b>	<b>14,810</b>
<b>Carrying amount end of year</b>	<b>1,014,500</b>	<b>42,010</b>

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

For further information on the valuation and recognition of the Russian subsidiary please refer to note 1.

<b>Investments in associates</b>	<b>Registered in</b>	<b>Corporate form</b>	<b>Ownership %</b>
Dinex Tongda Emission Solution Co. Ltd.	China	Ltd.	50.00
Active Dinex Emission Solutions Private Limited	India	Limited	50.00

## 13 Prepayments

Prepayments primarily comprise insurance, software licenses and lease payments.

## 14 Deferred tax

	<b>2023 DKK'000</b>	<b>2022 DKK'000</b>
Intangible assets	13,544	14,312
Property, plant and equipment	(870)	(1,266)
Inventories	(2,176)	0
Liabilities other than provisions	(407)	(309)
Tax losses carried forward	(7,138)	(7,699)
Other taxable temporary differences	1,153	1,151
<b>Deferred tax</b>	<b>4,106</b>	<b>6,189</b>

	<b>2023</b>	<b>2022</b>
<b>Changes during the year</b>	<b>DKK'000</b>	<b>DKK'000</b>
Beginning of year	6,189	7,664
Recognised in the income statement	(8,034)	(1,475)
Prior year adjustments	(2,261)	0
<b>End of year</b>	<b>(4,106)</b>	<b>6,189</b>

### 15 Non-current liabilities other than provisions

	<b>Due within 12</b>	<b>Due within 12</b>	<b>Due after</b>
	<b>months</b>	<b>months</b>	<b>more than 12</b>
	<b>2023</b>	<b>2022</b>	<b>2023</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
Subordinate loan capital	0	0	200,000
Bank loans	61,000	36,000	26,000
Lease liabilities	3,005	0	12,021
Holiday pay obligation	0	0	4,261
	<b>64,005</b>	<b>36,000</b>	<b>242,282</b>

### 16 Unrecognised rental and lease commitments

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Total liabilities under rental or lease agreements until maturity	<b>45,750</b>	50,068
Of this, liabilities under rental or lease agreements with group enterprises	<b>44,856</b>	47,907

### 17 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where 3C Holding 2021 ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

The company is engaged in some legal cases. It is management expectations that the outcome of these cases are reflected in the financial statement.

### 18 Assets charged and collateral

Bank loans are secured by mortgaging of stocks in subsidiary with a booked amount off 92mDKK.

The patents company has provided a surety for all intermediaries with banks, the total bank debt amounts to 0 DKK

**19 Related parties with controlling interest**

<u>Name</u>	<u>Registered office</u>	<u>Basis of influence</u>
Dinex Emission Holding A/S	Fynsvej 39 DK-5500 Middelfart	Shareholder
3C Dinex A/S	Østre Stationsvej 1 DK-5000 Odense C	Shareholder
Niels Thorborg	Langelinie 185 DK-5230 Odense M	Chairman of the Board of Directors
Torben Dinesen	Strandstien 157 DK-5500 Middelfart	CEO & Board Member
Birgit Bæk Thomsen	Jørgensens Alle 7 DK-8722 Hedensted	Board Member
Kim Walther Østergaard	Daltoften 67 DK-5320 Agedrup	Board Member
Jens Prytz Sørensen	Drosselvej 20 DK-5500 Middelfart	Board Member
Jørn Tolstrup Rohde	Langelinie 85 DK-5230 Odense M	Board Member

**20 Transactions with related parties**

There have not been transactions with related parties which have not been carried out on a market term basis.

# 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.

## Material errors in previous years

Management has in the financial year observed a systematical error related to inventory. According to management the error relate to prior year.

The accumulated error is DKK -8 million net of tax (tax effect is DKK 2 million) and is adjusted on equity at the beginning of the year and corrected in prior years. Comparative figures and financial highlights under management commentary are restated.

Summary of numbers effected from the 2022 annual report.

- Income after tax DKK -8 million
- Income tax payable DKK 2 million
- Inventories DKK -10 million
- Total assets DKK -10 million
- Equity DKK -8 million (accumulated error)
- Total Liabilities DKK -2 million

## Recognition and measurement

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

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

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

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

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

## Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are

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

### **Basis of consolidation**

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

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

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the 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.

### **Profit or loss from divestment of enterprises**

Profits or losses from divestment or winding-up of enterprises are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment and winding-up, including any non-amortised goodwill and estimated selling or winding-up expenses.

### **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.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

Transactions in Russian Rubles are translated using exchange rates published by the Reuters. Transactions in rubles were translated using the exchange rates at the balance sheet date for balance sheet items, and the periodic average exchange rates for items of the income statement.

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.

### **Derivative financial instruments**

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are classified directly as equity.

### **Income statement**

#### **Revenue**

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



**Production costs**

Production: 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.

Cost of sales also includes research costs of development projects that do not meet the criteria for recognition in the balance sheet, and amortization of recognized development projects. In addition, provisions for loss on contract work in progress are recognized.

**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, further more it consist of management fee to group enterprises in the parent company.

**Other operating expenses**

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities, including loss from the sale of intangible assets and property, plant and equipment.

**Income from investments in group enterprises**

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

**Income from investments in associates**

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

**Other financial income**

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

**Other financial expenses**

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

**Tax on profit/loss for the year**

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

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

**Other taxes**

The item includes tax amounts calculated on a basis other than income for the year, which are not refunded to the Entity.

**Balance sheet****Intellectual property rights etc.**

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

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

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

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

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

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

**Property, plant and equipment**

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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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:

	<b>Useful life</b>
Buildings	40 years
Plant and machinery	3-25 years
Other fixtures and fittings, tools and equipment	3-15 years
Leasehold improvements	5-10 years

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

Estimated useful lives and residual values are reassessed annually.

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

### **Investments in group enterprises**

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

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

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

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area.

For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary

nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5-20 years.

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

### **Investments in associates**

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

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

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

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

Investments in associates fall within the definitions of both participating interests and associates, yet in these consolidated financial statements they have been presented as investments in associates because this designation reflects more accurately the Group's involvement in the relevant entities.

### **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.

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

### **Inventories**

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

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

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on 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.

#### **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.

#### **Other provisions**

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

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

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

#### **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.

#### **Lease liabilities**

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

#### **Other financial liabilities**

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

#### **Cash flow statement**

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

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

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