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Dinex A/S

Fynsvej 39
5500 Middelfart
CVR No. 10504473

Annual report 2022

The Annual General Meeting adopted the annual report on 27.06.2023

Niels Thorborg
Chairman of the General Meeting

Contents

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: 01.01.2022 - 31.12.2022

Board of Directors
Niels Thorborg
Torben Staal Dinesen
Jens Prytz Sørensen
Jørn Tolstrup Rohde
Birgit Bæk Thomsen
Carsten Riisberg Lund

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 01.01.2022 - 31.12.2022.

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

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

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

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

Middelfart, 21.06.2023

Executive Board

Torben Staal Dinesen

Michael Storm

Board of Directors

Niels Thorborg

Torben Staal Dinesen

Jens Prytz Sørensen

Jørn Tolstrup Rohde

Birgit Bæk Thomsen

Carsten Riisberg Lund

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

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

Basis for opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Odense, 21.06.2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bo Damgaard Hansen
State Authorised Public Accountant
Identification No (MNE) mne34543

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures					
Revenue	2,218,900	2,193,819	1,727,418	1,525,418	1,231,649
Gross profit/loss	527,158	533,278	405,053	429,922	389,060
EBITDA	267,816	323,112	230,095	208,282	183,135
Operating profit/loss	198,493	256,953	169,133	151,261	150,883
Net financials	(66,791)	(53,591)	(42,926)	(22,255)	(46,138)
Profit/loss before tax	122,446	206,232	125,487	128,037	104,270
Profit/loss for the year	84,274	165,921	107,087	113,144	101,298
Balance sheet total	1,851,165	1,697,850	1,437,225	1,332,188	1,145,629
Investments in property, plant and equipment	101,067	112,843	106,708	72,564	67,393
Equity	342,989	249,969	276,557	311,527	200,232
Equity incl minority interests and subordinated loan	542,988	449,969	476,557	511,528	400,232
Average invested capital incl. goodwill	1,244,655	1,055,363	972,742	950,229	766,887
Net interest-bearing debt	781,055	601,072	543,600	499,166	443,923
Ratios					
Gross margin (%)	23.76	24.31	23.45	28.18	31.59
EBITDA margin (%)	12.10	14.70	13.30	13.70	14.90
Net margin (%)	3.80	7.56	6.20	7.42	8.22
Return on invested capital incl. goodwill (%)	6.77	15.72	11.01	11.91	13.21
Financial gearing	2.28	2.40	1.97	1.60	2.22
Return on equity (%)	28.42	63.02	36.42	44.22	66.25
Equity ratio incl. subordinated loan (%)	29.30	26.50	33.20	38.40	34.90
Equity ratio (%)	18.53	14.72	19.24	23.38	17.48
Net interest-bearing debt to EBITDA	2.90	1.90	2.40	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 (%):
Gross profit/loss * 100
Revenue

EBITDA margin (%):
EBITDA * 100
Revenue

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

Return on invested capital incl. goodwill (%):
Profit/loss for the year * 100
Average invested capital incl. goodwill

Financial gearing :
Net interest-bearing debt
Equity

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio incl. subordinated loan (%):
Equity + subordinated loan* 100
Balance sheet total

Equity ratio (%):
Equity * 100
Balance sheet total

Net interest-bearing debt to EBITDA(%):
Net interest-bearing debt, net * 100
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 in 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 25% and OEM 75% is at the same level as in 2021.

The operating profit (EBIT) of the Group was DKK 198.494 thousand against DKK 256.954 thousand in 2021. The result before tax for the Group was DKK 122.446 thousand against DKK 206.222 thousand in 2021. The year-end total net result after tax for the Group was DKK 84.274 thousand against DKK 165.921 thousand in 2021.

EBITDA amounts to DKK 267 million and has decreased compared to the 2021 level. The result was affected by 3 main reasons

1) slow re-opening in China post COVID-19,
2) Russia's invasion in Ukraine,
3) high inflation and economic market turbulence impacting the currency rates negatively.

Despite the challenges Dinex opened a new factory in China to produce high silicon power diesel particle filters where some of China's leading engine manufacturers will start production in 2023.

The factory in India expanded its production to accommodate a higher demand with our customers. Furthermore, we saw an increase of our activities in the Turkish factory and its customers.

Dinex furthermore keeps on investing in R & D and new technologies which is the reason for increasing the costs in 2022.

Profit/loss for the year in relation to expected developments

In the outlook for 2022 Dinex expected to reach an EBITDA margin of 14-17%. The actual EBITDA margin for 2022 reached 12.1%, which is lower due to the increasing costs, however efforts has been initiated to come back to EBITDA margins above 16%

Unusual circumstances affecting recognition and measurement

The revenue and the result in 2022 was affected by Russia's invasion in Ukraine, re-opening in China after Covid-19 and the economic market turbulence, but beside this no unusual conditions have been noted in the actual financial year, which might have influenced this annual report positively or negatively.

In 2022 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 2023 to recover from 2022 due to China abandoning their Zero-Covid strategy, stabilizing energy prices, and exploitation and expansion of the well-established global footprint. We expect long-term profitable growth driven by European, Chinese, Indian OEM market and AEM market growth in the US driven by the new after-market product portfolio, but 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. As mentioned below we expect to continue our ownership in Russia. The activity level and earnings in Russia have been declining during 2022 but are expected to be maintained at the current level as a minimum.

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

There will be a negative financial impact from the increased interest rates because of the currently high debt towards our banks.

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 operational improvements

Management estimates that the Group will achieve a turnover of 2,5 billion DKK and an EBITDA level of 16% in 2023 despite the continuing challenges in the macroeconomic environment.

Business in Russia
Everyone in and around Dinex is naturally affected by the situation in Ukraine, and distance themselves from the actions of the Russian regime. Therefore, it is crucial for Dinex that we can act in a way that is as little advantageous to the regime as possible. Since the invasion of Ukraine, we have canceled all new investments, cancelled Group development projects related to Russian customers, and we have reduced our local involvement to a minimum, which we will continue to do.

We support and follow all sanctions and political initiatives against the Russian regime, just as we comply with the EU's principles on so-called dual-use products. We have also made donations to Ukrainian humanitarian causes. For the time being we have decided to retain ownership of our Russian subsidiary, but in accordance with EU sanctions, we have relinquished all daily operational management involvement in our Russian business. There are no support, collaboration or guidance provided by any Group or Headquarter functions to the local management team, and communication is limited to monthly reporting of financial and performance metrics, thus the Dinex Group is assuming a role of passive owners. However, the company is still subject to Dinex' ethical guidelines, which among other things state that the company may not deliver for military purposes.

While certainly a difficult decision to take, ethically and commercially, it is our clear belief that maintaining passive ownership is the right thing to do. Our Russian subsidiary operates independently with local organization and supply chain. Therefore, it is our conclusion after thorough evaluation that leaving Russia will in any case result in continued operation under Russian ownership, with our factories and intellectual property rights being nationalized and/or transferred to the benefit of local players. The outcome would thus have no effect on the continued local operations or on the taxes collected by the Russian government as a result, and in addition, the earnings from sales to Russian customers would remain in Russian hands rather than being directed out of the country. In other words, this controlled scale-down of involvement is what Dinex believe is the right way to react under current circumstances.

We respect that it for some may seem like a controversial and unpopular decision, but we have thoroughly evaluated the ethical and commercial outcomes of all potential strategies, just as we have consulted with the Confederation of Danish Industry (DI).

Our Russian subsidiary is a manufacturing company that produces exhaust systems with catalytic technologies for heavy-duty applications (trucks, etc.) in accordance with the EURO 5 emission standards. Direct customers of the company are exclusively local Russian manufacturers of commercial vehicles, and the systems are used exclusively in commercial vehicles where they serve the sole purpose of reducing environmentally harmful pollutants in the exhaust from diesel and gas engines in accordance with civilian Russian on-road emission legislation. For this reason, Dinex' products are more expensive and technically complicated than regular exhaust components, they require regular servicing, and upon malfunctioning they will have a vastly negative effect on vehicle performance. Thus Dinex' products serve no military purposes, and Dinex does not and has never delivered to the Russian military.

We can summarize our rationale behind the decision to maintain our passive ownership with the following arguments:

- Since the invasion of Ukraine, we have canceled all new investments and development projects related to the Russian business.
- We have reduced our involvement to a minimum.
- We support and follow all sanctions and political initiatives against the Russian regime, just as we comply with the EU principles on so-called dual-use products.
- We have made donations to Ukrainian humanitarian causes.

Particular risks

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.

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 2022 were DKK 390.887 thousand against DKK 372.758 thousand in 2021. The customers can be grouped into two main categories, one being very large OEM manufactures 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 2022.

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.

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 2022, a total net exchange loss of DKK 14.694 thousand is realized, against a net loss of DKK 14.879 thousand in 2021. The exchange loss is mainly driven by loss in Turkish Lire.

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 1.890 employees, including 71 in Denmark. We continue to utilize the knowledge within the group, and have currently also 5 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. 1,4% of the revenue. 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.

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 and synthetic fuels.
In 2022 Dinex has initiated several product innovation projects to secure our future societal contribution to the market trends of cleaner transportation and low-carbon fuels. Several technology concepts for the upcoming Euro 7 emission standards expected to be in force in the EU by 2027 have been validated and further development is on-going in collaboration with a number of interested vehicle and engine manufacturers. To contribute to decarbonization of the transport sector, Dinex is also active within development of solutions for Hydrogen applications, both Hydrogen Combustion Engines and Fuel Cell Electric Vehicles.

Our CSR focus in 2022 – activities and results
To organize its activities within CSR and Sustainability, Dinex published very early 2022 the first dedicated Sustainability Policy, defining it's overall 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 has started 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 result of these first-year actions will be published in the Group's first ESG report on the year 2022, available during 2023.

Within the framework of this policy Dinex has started 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 result of these first-year actions will be published in the Group's first ESG report on the year 2022, available during 2023.

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 to 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.

A focus area of 2022 has been the use of packing materials with a higher degree of sustainable properties. We have ensured that all cardboard and wooden pallets sourced by Dinex originate from FSC-marked sources. Furthermore, we have replaced internal packing of Particulate Filters with so-called plastic foam bags. These special bags are 100% recyclable as plastic waste and has a Life Cycle Carbon Footprint which is 31% lower than that of cardboard-based internal packing.

Another initiative that has been started in 2022 is the reuse of wasted or redundant materials. A project group coordinated by Group management is constantly monitoring local stocks of unused materials and are together with local management teams and stakeholders finding alternative uses for these materials in active production series, to avoid wasting them and reduce our own need for acquisition of new materials.

A final highlight of environmental focus is in our new production site in India, which has been ramping up production during 2022. The process of the site is highly water consuming, but to avoid high amounts of wastewater a zero-discharge Effluent Treatment Plant (ETP) has been installed. This solution separates solid compounds from any processed water, and the remaining water is evaporated with no environmental effect.

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.
In 2022 we established our first global tracing of greenhouse gas emissions within Scope 1 and 2, and partially of Scope 3 for Transportation of goods. Dinex Group emitted globally in 2021 a total of 20.902 ton of CO2 within these categories, and in line with our Sustainability Policy we have an ambition to reduce our footprint by 10% year over year.

We have managed to achieve a reduction in 2022 of 3% of Scope 1 and 2 CO2-emissions:

Scope	2021	2022 (projected)
Scope 1	3.890,9 ton	4.120,2 ton
Scope 2	6.800,6 ton	6.199,2 ton
Total Scope 1 & 2	**10.691,5 ton**	**10.319,4 ton**
Scope 3 (transport only)	10.207,0 ton*	(still evaluating)
Total Scope 1,2 & 3	**20.898,5 ton**	**N/A**

**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 is deemed inappropriate to reflect the trend of our climate footprint from transport activities.*
An alternative method is being implemented.

The reduction is to be evaluated in the light of:

- Ramp-Up of a new production plant in India in the beginning of 2022, which has a very high energy consumption for producing catalytically coated filters and catalysts.
- Transfer of energy intensive production series from Finland which historically has a very low carbon intensity of electricity, to production sites which has to rely on natural gas to produce the same amount of energy. The transfer is however expected to have a positive impact on Scope 3 emissions, due to being closer to customers and thereby reducing intercompany freight.
- A general increased level of activity overall in Dinex, resulting in more employees. Scope 1 and 2 emissions is projected to drop by 16% per FTE.

To further reduce the overall consumption of energy, Dinex has introduced 10 Energy Laws which has been pushed to all employees. These Energy Laws are being audited quarterly to ensure compliance and to identify areas of further improvement and has generally resulted in a better awareness among employees. An example of a direct effect that has already kicked in, is a 14% reduction in electricity consumption in the Headquarter of Dinex in Denmark. Furthermore, many sites has achieved a reduction of Natural Gas consumption between 15% and 50%.

The 2 major production sites of Dinex: Turkey and Latvia, which combined employs nearly half of the Groups total employees, has both invested in Heat Recovery systems which will further be able to reduce consumption of energy for heating purposes. Additionally, nearly all lighting in all sites has been converted to low-energy LED sources, and further optimizations has been identified for action during 2023.

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.

In 2022 a new revised grievance system (Whistle Blower) has been introduced which makes it easier for all employees, external partners, and stakeholders to report concerns over breaches of legal obligations or company policies. The system is publicly available from Dinex' website.

A high focus in Dinex during 2022 has been placed in promoting Engagement initiatives. Our local HR organizations has been actively organizing social events and happenings to promote a healthier work culture and the results has been a more stable work force in especially our biggest production unit in Turkey. Additionally, more effort has been put into expanding the Dinex University where employees are developing new skills and gaining new competences. One example is a "Next Generation Leadership" training program, with the aim of supporting 15 employees who have no or little Leadership experience, but who recently gained this responsibility.

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 in compliance with version 4.0 of this questionnaire, which at the time of this writing is in progress of being updated to version 5.0 with further requirements. Dinex has no knowledge of being non-compliant to any customer requirements on sustainability.

To ensure commitment to ambitious sustainability targets among our suppliers, a revised Supplier Code of Conduct was introduced in 2022 and the majority of our key suppliers has already committed to this updated version, while the remaining are expected to commit in 2023.

Dinex' deep involvement in technological trends within clean and green mobility is driving several innovation projects with select customers for innovations such as Euro 7 emissions solutions, solutions for Hydrogen Combustion Engines, and Hydrogen Fuel Cells. Furthermore Dinex' emission solutions have been validated for compatibility with Biofuel-blends (HVO fuel) of up to 100%. Finally, Dinex is actively promoting a technology-neutral approach to decarbonization of the global transport industry, by promoting Life-Cycle Analysis approach and technology insight in social media and public events.

Work environment
The unexpected turnover of employees has remained stably low at group level in 2022 and even slightly reduced to 1,3% against the 1,5% from 2021. The same case is seen on sickness, which is also stabile low at a satisfactory level.
During 2022 a dedicated Global Health & Safety organization has been established which coordinates activities for the removal of risks and prevention of work-related accidents across all sites in the Group. This has led to an improvement in the Total Recordable Incident Rate (TRIR).

More focus has been placed in Work Ergonomics after a pre-study in our production site in USA and Latvia which revealed several areas for improvement. The learnings gathered and activities to improve work conditions for employees revealed during this study will be spread out to all locations during 2023.

Circularity through Reconditioning and Remanufacturing
Dinex sees the need for contributing to the reduction of environmental and climate footprint of the transport industry, and one way to do this is through the prolonging of lifetime and full functionality of exhaust systems.

It is a known issue in the industry that Diesel Particulate Filters over time will require more frequent cleaning and back pressure will increase, resulting in higher fuel consumption and higher CO_2 emissions. Reconditioning is a method to restore these filters to near full functionality, thus indirectly contributing to lower CO_2-emissions from vehicle fuel consumption and avoiding emissions and environmental impact from production of new filters. In 2022 Dinex has increased it's Reconditioning service by over 70% compared to 2021.

Furthermore, Euro 6 Emission solutions are complex to produce and requires a high amount of energy, large amounts of stainless steel, and certain rare earth minerals. Upon failure the systems are not built for repairment, which has given growth for a separate remanufacturing industry in Europe. Dinex is supporting this industry with technical guidance and supply of components that enable repair of these systems, rather than replacement of the entire system. In 2022 Dinex has increased its sales of Euro 6 Remanufacturing components by over 40% compared to 2021.

All components supplied in the Reconditioning and Remanufacturing program is fully Type approved and in compliance with Euro 6 legislation.

Looking ahead
2023 will be a year where Dinex will focus even more intensively on raising competences in the group. The trends that have been started in 2022, with more focus on engagement and competence development will be intensified with more activities and training offerings to employees.

We see a growing need for standardizing critical knowledge in the Group in order to make our local entities work smarter, better aligned, and benefitting from global best practices. We have introduced a tool in 2022 called "The Process House" which organizes all Group-related critical knowledge, and the activities and plans are in place to make this tool to be the center of all standardization and training of basic and process-related Group-knowledge in 2023.

On Environmental and Climate initiatives Dinex will continue to pursue the 10% YoY reduction in Greenhouse Gas emissions in 2023 and aspire for Net Zero in 2040. The ongoing work will benefit highly from the learnings collected during 2022, which was the first year that the Dinex Group started collecting and consolidating key Environmental, Climate and Social KPIs from all local entities. There is better and more thorough insight into the drivers of emissions and critical areas to focus on for all sites which can be used to identify next year's more effectively local reduction initiatives together with local management teams.

On an overall Group level, the first conducted round of energy audits has revealed common improvement points for majority of sites within:

- Knowledge of, and action against off-working hours energy consumption
- Awareness of central ventilation system effectiveness and flow control
- Training of new employee in energy awareness in Dinex

Despite of a challenging market and geopolitical situation, Dinex finds it important also to start defining the more long-term ambitions for its reduction of Climate Footprint towards 2030, to prepare for upcoming investments and serve as an input to more strategic decisions.

Statutory report on Anti-corruption
Dinex operates with local entities in 15 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 has been made easier and more accessible by the revised Whistleblower / Grievance system introduced in 2022. The system is publicly available through the Dinex website (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.

Further activities in 2023 to mitigate risks within this area are all related to a better structure of our onboarding and training processes.

Statutory report on the underrepresented gender
As a part of our strive to become a socially sustainable employer, it is the policy of the Dinex Group to offer an inclusive and diverse working environment where everyone can fully exercise their professional competences to contribute to our company without putting any restrictions to their whole self. Diversity and inclusion drive value for Dinex by enabling a diverse line of thoughts and innovations, and leads to better, more nuanced decisions and risk-management. We actively combat discrimination and aspire to promote equal treatment in all global operations in which we operate.

As a result of this policy, we consider diversity as a strength, and all Dinex staff is recruited based on (in prioritized sequence):

- Professional skills without regard to religion, race, gender, handicap, sexual orientation or age.
- The demography of the team for which we are hiring, and how the candidate will aid the balance and strengthen the team through diversity.

This applies to the management levels as well as all other employees in the organization.

In total the Dinex Group is in 2022 comprised of 17% females, which is a slight setback compared to 2021 with 18% females. Specifically for the White-Collar group of employees, which counts 336 individuals, we have however seen a positive trend with an increase to 41% compared to 35% in 2021.

Across all organization levels we are a total of 115 managers, of which 22% are female. The Dinex Board of Directors remains unchanged and consists of 6 members of which 1 is a female. Our ambition is that the gender composition of our Board of Directors, should reflect the composition of female managers in the organization, which we consider as fulfilled.
Our Statutory target for gender representation in the Board is to increase the share of female Board member from 17% to 33% by 2025 which in turn would reflect a balanced Board as per the official guidance of the Danish Business Authority.

Dinex acknowledges that the automotive industry is dominated by men, and it is in general difficult to find suitable female candidates for all positions, and in all regions of the world as well, as Dinex will not compromise the professional qualifications for such a candidacy. We will nevertheless aspire towards a target of 30% females in all managerial levels in 2025.

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 2022 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 initiate that will be ongoing throughout 2023 as well.

Events after the balance sheet date

We are not aware of events subsequent to 31 December 2022, which are expected to have a material impact on the Group's annual report.

Consolidated income statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Revenue	3	2,218,900	2,193,819
Production costs		(1,691,742)	(1,660,541)
Gross profit/loss		**527,158**	**533,278**
Distribution costs		(150,345)	(125,728)
Administrative expenses	4	(182,770)	(162,691)
Other operating income	7	14,158	16,453
Other operating expenses		(9,708)	(4,359)
Operating profit/loss		**198,493**	**256,953**
Income from investments in associates		(9,255)	3,537
Other financial income	8	679	1,115
Other financial expenses	9	(67,470)	(55,374)
Profit/loss before tax		**122,447**	**206,231**
Tax on profit/loss for the year	10	(30,883)	(37,212)
Other taxes		(7,290)	(3,098)
Profit/loss for the year	11	**84,274**	**165,921**

Consolidated balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Completed development projects	13	49,793	45,879
Acquired licences		11,691	11,491
Development projects in progress	13	36,019	34,761
Intangible assets	12	**97,503**	**92,131**
Land and buildings		251,365	117,034
Investment property		0	127,000
Plant and machinery		183,560	171,932
Other fixtures and fittings, tools and equipment		41,587	38,676
Property, plant and equipment in progress		86,484	56,863
Property, plant and equipment	14	**562,996**	**511,505**
Investments in associates		48,670	62,638
Other receivables		2,229	2,362
Deferred tax	16	28,246	29,537
Financial assets	15	**79,145**	**94,537**
Fixed assets		**739,644**	**698,173**
Raw materials and consumables		202,837	170,396
Work in progress		45,750	32,219
Manufactured goods and goods for resale		166,599	153,998
Inventories		**415,186**	**356,613**

Trade receivables		390,887	372,758
Other receivables		103,788	70,674
Tax receivable		45,391	25,915
Prepayments	17	15,155	20,533
Receivables		**555,221**	**489,880**
Cash		**141,114**	**153,184**
Current assets		**1,111,521**	**999,677**
Assets		**1,851,165**	**1,697,850**

Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital	18	2,250	2,250
Retained earnings		340,739	247,719
Equity		**342,989**	**249,969**
Deferred tax	16	29,040	29,996
Other provisions	19	376	597
Provisions		**29,416**	**30,593**
Subordinate loan capital		200,000	200,000
Mortgage debt		36,335	39,216
Bank loans		123,000	153,243
Finance lease liabilities		11,271	6,969
Non-current liabilities other than provisions	20	**370,606**	**399,428**
Current portion of non-current liabilities other than provisions	20	69,349	70,639
Bank loans		682,214	484,189
Trade payables		226,448	277,637
Payables to owners and management		0	50,000
Tax payable		15,713	17,650
Other payables		114,430	117,745
Current liabilities other than provisions		**1,108,154**	**1,017,860**
Liabilities other than provisions		**1,478,760**	**1,417,288**
Equity and liabilities		**1,851,165**	**1,697,850**

Business in Russia	1
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Consolidated statement of changes in equity for 2022

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	2,250	264,383	266,633
Adjustment of material errors	0	(16,664)	(16,664)
Adjusted equity, beginning of year	**2,250**	**247,719**	**249,969**
Exchange rate adjustments	0	8,746	8,746
Profit/loss for the year	0	84,274	84,274
Equity end of year	**2,250**	**340,739**	**342,989**

Consolidated cash flow statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Operating profit/loss		198,493	256,953
Amortisation, depreciation and impairment losses		69,321	66,154
Other provisions		(221)	(19)
Working capital changes	21	(158,960)	(3,562)
Currency adjustments		(24,509)	(11,068)
Cash flow from ordinary operating activities		**84,124**	**308,458**
Financial income received		679	1,115
Financial expenses paid		(49,218)	(40,491)
Taxes refunded/(paid)		(49,005)	(30,251)
Cash flows from operating activities		**(13,420)**	**238,831**
Acquisition etc. of intangible assets		(24,437)	(22,264)
Acquisition etc. of property, plant and equipment		(103,229)	(112,815)
Sale of property, plant and equipment		6,474	1,379
Dividends received		4,627	0
Other cash flows from investing activities		0	(2,602)
Cash flows from investing activities		**(116,565)**	**(136,302)**
Free cash flows generated from operations and investments before financing		**(129,985)**	**102,529**
Loans raised		198,026	484,189
Repayments of loans etc.		(80,111)	(53,378)
Dividend paid		0	(160,000)
Cash flows from financing activities		**117,915**	**270,811**
Increase/decrease in cash and cash equivalents		**(12,070)**	**373,340**

Cash and cash equivalents beginning of year	153,184	(220,156)
Cash and cash equivalents end of year	**141,114**	**153,184**

Cash and cash equivalents at year-end are composed of:		
Cash	141,114	153,184
Cash and cash equivalents end of year	**141,114**	**153,184**

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 assets totalling DKK 155m and in the financial statements with net assets totalling DKK 100m.
The Russian subsidiary's profit for 2022 accounts for a considerable share of the Group's and the Parent's results. The activity level and earnings in Russia have been declining during the financial year but are expected to be maintained at the current level 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 2023 and forecast with annual growth of 5% until 2027. No growth in the terminal period has been assumed. The exchange rate used in forecast for 2024-27 is assumed to be unchanged at the budget level for 2023 at 0,128. A discount rate of 19% 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 a risk associated with the Group's net assets in Russia.

2 Events after the balance sheet date

Referring to note 1, 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.

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

3 Revenue

	2022 DKK'000	2021 DKK'000
Europe	616,519	656,247
Turkey and middle east	788,374	753,831
Russia	365,021	436,688
Asia	265,828	159,417
Other	183,158	187,636
Total revenue by geographical market	**2,218,900**	**2,193,819**
AEM	557,790	545,899
OEM	1,661,110	1,647,920
Total revenue by activity	**2,218,900**	**2,193,819**

4 Fees to the auditor appointed by the Annual General Meeting

	2022 DKK'000	2021 DKK'000
Statutory audit services	1,304	1,008
Other assurance engagements	0	16
Tax services	1,511	248
	2,815	**1,272**

5 Staff costs

	2022 DKK'000	2021 DKK'000
Wages and salaries	223,822	160,835
Pension costs	5,896	9,599
Other social security costs	40,209	33,956
	269,927	**204,390**

Average number of full-time employees	**1,890**	1,626

	Remuneration of Manage-ment 2022 DKK'000	Remuneration of Manage-ment 2021 DKK'000
Total amount for management categories	6,778	5,529
	6,778	**5,529**

6 Depreciation, amortisation and impairment losses

	2022 DKK'000	2021 DKK'000
Amortisation of intangible assets	18,769	18,824
Depreciation on property, plant and equipment	51,476	48,630
Profit/loss from sale of intangible assets and property, plant and equipment	(924)	(1,299)
	69,321	**66,155**

7 Other operating income

Consist of profit from sales of assets. Further more the Group has received around DKK 5 million in compensation related to COVID-19 in 2021. The compensation received are mainly to cover cost and salary. All compensation is received outside Denmark.

8 Other financial income

	2022 DKK'000	2021 DKK'000
Other interest income	679	1,115
	679	**1,115**

9 Other financial expenses

	2022 DKK'000	2021 DKK'000
Other interest expenses	49,218	40,496
Exchange rate adjustments	18,252	14,878
	67,470	**55,374**

10 Tax on profit/loss for the year

	2022 DKK'000	2021 DKK'000
Current tax	31,433	27,516
Change in deferred tax	(550)	4,866
Adjustment concerning previous years	0	4,830
	30,883	**37,212**

11 Proposed distribution of profit/loss

	2022 DKK'000	2021 DKK'000
Extraordinary dividend distributed in the financial year	0	200,000
Retained earnings	84,274	(34,079)
	84,274	**165,921**

12 Intangible assets

	Completed development projects DKK'000	Acquired licences DKK'000	Development projects in progress DKK'000
Cost beginning of year	133,432	34,027	34,761
Exchange rate adjustments	1,605	(67)	(47)
Transfers	9,295	0	(9,295)
Additions	9,557	2,984	11,896
Disposals	0	0	(1,296)
Cost end of year	**153,889**	**36,944**	**36,019**
Amortisation and impairment losses beginning of year	(87,553)	(22,536)	0
Exchange rate adjustments	(523)	32	0
Amortisation for the year	(16,020)	(2,749)	0
Amortisation and impairment losses end of year	**(104,096)**	**(25,253)**	**0**
Carrying amount end of year	**49,793**	**11,691**	**36,019**

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 finanlly improvements to CN6 after-treatment systems and component technologies for the Chines 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 estabilshed know-how in emission technologies and it advanced test centerfacilities 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	Investment property 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	174,119	127,000	449,799	112,258	56,863
Exchange rate adjustments	879	0	1,289	(53)	451
Transfers	127,000	(127,000)	0	0	0
Additions	14,174	0	43,760	13,963	31,332
Disposals	(118)	0	(17,794)	(3,636)	(2,162)
Cost end of year	**316,054**	**0**	**477,054**	**122,532**	**86,484**
Depreciation and impairment losses beginning of year	(57,085)	0	(277,867)	(73,582)	0
Exchange rate adjustments	130	0	(982)	67	0
Depreciation for the year	(7,849)	0	(33,732)	(9,895)	0
Reversal regarding disposals	115	0	19,087	2,465	0
Depreciation and impairment losses end of year	**(64,689)**	**0**	**(293,494)**	**(80,945)**	**0**
Carrying amount end of year	**251,365**	**0**	**183,560**	**41,587**	**86,484**
Recognised assets not owned by Entity	0	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	2,362	29,537
Disposals	0	(133)	(1,291)
Cost end of year	**29,459**	**2,229**	**28,246**
Revaluations beginning of year	33,179	0	0
Exchange rate adjustments	(86)	0	0
Share of profit/loss for the year	(9,255)	0	0
Dividend	(4,627)	0	0
Revaluations end of year	**19,211**	**0**	**0**
Carrying amount end of year	**48,670**	**2,229**	**28,246**

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

16 Deferred tax

	2022 DKK'000	2021 DKK'000
Intangible assets	14,296	14,767
Property, plant and equipment	26,346	26,633
Inventories	1,202	(727)
Receivables	(769)	(2,076)
Liabilities other than provisions	(9,872)	(4,884)
Tax losses carried forward	(31,157)	(31,945)
Other taxable temporary differences	748	(1,309)
Deferred tax	**794**	**459**

Changes during the year	2022 DKK'000	2021 DKK'000
Beginning of year	459	(2,579)
Recognised in the income statement	550	4,866
Other changes	(215)	(1,828)
End of year	**794**	**459**

Deferred tax has been recognised in the balance sheet as follows	2022 DKK'000	2021 DKK'000
Deferred tax assets	(28,246)	(29,537)
Deferred tax liabilities	29,040	29,996
	794	**459**

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 of years 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.

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
	2,250,000		**2,250**	**2,250**

19 Other provisions

Consists of expected cost related to litigation.

20 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK'000	Due within 12 months 2021 DKK'000	Due after more than 12 months 2022 DKK'000	Outstanding after 5 years 2022 DKK'000
Subordinate loan capital	0	0	200,000	200,000
Mortgage debt	2,891	2,944	36,335	27,503
Bank loans	61,797	64,155	123,000	0
Lease liabilities	4,661	3,540	11,271	0
	69,349	**70,639**	**370,606**	**227,503**

21 Changes in working capital

	2022 DKK'000	2021 DKK'000
Increase/decrease in inventories	(58,574)	(69,155)
Increase/decrease in receivables	(45,864)	(42,258)
Increase/decrease in trade payables etc.	(54,522)	107,851
	(158,960)	**(3,562)**

22 Unrecognised rental and lease commitments

	2022 DKK'000	2021 DKK'000
Total liabilities under rental or lease agreements until maturity	**72,303**	**108,434**

23 Contingent liabilities

The group is engaged in some legal cases. It is management expectations that the outcome of theese 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 2022

	Notes	2022 DKK'000	2021 DKK'000
Revenue	1	226,445	148,589
Production costs		(219,591)	(130,407)
Gross profit/loss		**6,854**	**18,182**
Distribution costs		(34,591)	(27,716)
Administrative expenses		(116,363)	(86,844)
Other operating income	4	178,538	110,370
Operating profit/loss		**34,438**	**13,992**
Income from investments in group enterprises		83,606	163,944
Income from investments in associates		(9,255)	3,537
Other financial income	5	12,191	11,045
Other financial expenses	6	(35,717)	(27,986)
Profit/loss before tax		**85,263**	**164,532**
Tax on profit/loss for the year	7	(989)	1,390
Profit/loss for the year	8	**84,274**	**165,922**

Parent balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Completed development projects	10	27,876	22,466
Acquired concessions		7,333	7,661
Development projects in progress	10	30,709	37,354
Intangible assets	9	**65,918**	**67,481**
Plant and machinery		14,609	12,907
Other fixtures and fittings, tools and equipment		4,055	4,297
Leasehold improvements		10,245	1,177
Property, plant and equipment	11	**28,909**	**18,381**
Investments in group enterprises		1,000,899	895,549
Investments in associates		48,670	62,638
Other receivables		0	1,055
Financial assets	12	**1,049,569**	**959,242**
Fixed assets		**1,144,396**	**1,045,104**
Raw materials and consumables		3,205	1,912
Work in progress		703	0
Manufactured goods and goods for resale		55,579	21,839
Inventories		**59,487**	**23,751**
Trade receivables		5,268	6,788
Receivables from group enterprises		280,088	211,136
Other receivables		1,655	6,772
Prepayments	13	4,409	4,738
Receivables		**291,420**	**229,434**
Cash		**7**	**8**
Current assets		**350,914**	**253,193**
Assets		**1,495,310**	**1,298,297**

Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital		2,250	2,250
Reserve for net revaluation according to equity method		323,585	303,746
Reserve for development costs		47,622	46,659
Retained earnings		(30,484)	(102,686)
Equity		**342,973**	**249,969**
Deferred tax	14	8,451	7,664
Provisions		**8,451**	**7,664**
Subordinate loan capital		200,000	200,000
Bank loans		141,000	142,000
Lease liabilities		9,928	4,824
Non-current liabilities other than provisions	15	**350,928**	**346,824**
Current portion of non-current liabilities other than provisions	15	36,000	58,943
Bank loans		666,740	498,422
Trade payables		9,727	16,398
Payables to group enterprises		61,056	50,661
Payables to owners and management		0	50,000
Other payables		19,435	19,416
Current liabilities other than provisions		**792,958**	**693,840**
Liabilities other than provisions		**1,143,886**	**1,040,664**
Equity and liabilities		**1,495,310**	**1,298,297**
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 2022

	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	320,410	46,659	(102,686)	266,633
Adjustment of material errors	0	(16,664)	0	0	(16,664)
Adjusted equity, beginning of year	**2,250**	**303,746**	**46,659**	**(102,686)**	**249,969**
Exchange rate adjustments	0	0	0	8,730	8,730
Transfer to reserves	0	0	963	(963)	0
Profit/loss for the year	0	19,839	0	64,435	84,274
Equity end of year	**2,250**	**323,585**	**47,622**	**(30,484)**	**342,973**

Notes to parent financial statements

1 Revenue

	2022 DKK'000	2021 DKK'000
Europe	226,445	148,589
Total revenue by geographical market	**226,445**	**148,589**
AEM	225,577	148,240
OEM	868	349
Total revenue by activity	**226,445**	**148,589**

2 Staff costs

	2022 DKK'000	2021 DKK'000
Wages and salaries	89,159	49,572
Pension costs	4,362	4,433
Other social security costs	241	4,191
	93,762	**58,196**
Average number of full-time employees	**71**	84

	Remuneration of Management 2022 DKK'000	Remuneration of Management 2021 DKK'000
Total amount for management categories	6,778	5,529
	6,778	**5,529**

3 Depreciation, amortisation and impairment losses

	2022 DKK'000	2021 DKK'000
Amortisation of intangible assets	12,396	14,628
Depreciation on property, plant and equipment	4,192	3,991
Profit/loss from sale of intangible assets and property, plant and equipment	(13)	0
	16,575	**18,619**

4 Other operating income

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

5 Other financial income

	2022 DKK'000	2021 DKK'000
Financial income from group enterprises	6,735	7,518
Exchange rate adjustments	5,456	3,527
	12,191	**11,045**

6 Other financial expenses

	2022 DKK'000	2021 DKK'000
Financial expenses from group enterprises	1,419	1,857
Other interest expenses	34,298	26,129
	35,717	**27,986**

7 Tax on profit/loss for the year

	2022 DKK'000	2021 DKK'000
Change in deferred tax	787	(1,623)
Adjustment concerning previous years	202	233
	989	**(1,390)**

8 Proposed distribution of profit and loss

	2022 DKK'000	2021 DKK'000
Extraordinary dividend distributed in the financial year	0	200,000
Retained earnings	84,274	(34,078)
	84,274	**165,922**

9 Intangible assets

	Completed development projects DKK'000	Acquired concessions DKK'000	Development projects in progress DKK'000
Cost beginning of year	89,465	19,331	37,354
Transfers	14,218	0	(14,218)
Additions	1,978	1,282	7,573
Cost end of year	**105,661**	**20,613**	**30,709**
Amortisation and impairment losses beginning of year	(66,999)	(11,670)	0
Amortisation for the year	(10,786)	(1,610)	0
Amortisation and impairment losses end of year	**(77,785)**	**(13,280)**	**0**
Carrying amount end of year	**27,876**	**7,333**	**30,709**

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 finanlly improvements to CN6 after-treatment systems and component technologies for the Chines 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 estabilshed know-how in emission technologies and it advanced test centerfacilities 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

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost beginning of year	75,212	13,284	9,467
Additions	4,507	861	9,352
Cost end of year	**79,719**	**14,145**	**18,819**
Depreciation and impairment losses beginning of year	(62,305)	(8,987)	(8,290)
Depreciation for the year	(2,805)	(1,103)	(284)
Depreciation and impairment losses end of year	**(65,110)**	**(10,090)**	**(8,574)**
Carrying amount end of year	**14,609**	**4,055**	**10,245**
Recognised assets not owned by entity	10,311	0	0

12 Financial assets

	Investments in group enterprises DKK'000	Investments in associates DKK'000
Cost beginning of year	624,984	26,857
Additions	52,330	0
Cost end of year	**677,314**	**26,857**
Revaluations beginning of year	270,565	35,781
Exchange rate adjustments	8,866	(86)
Share of profit/loss for the year	91,322	(9,255)
Adjustment of intra-group profits	(7,716)	0
Dividend	(39,452)	(4,627)
Revaluations end of year	**323,585**	**21,813**
Carrying amount end of year	**1,000,899**	**48,670**

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.

Investments in associates	Registered in	Corporate form	Ownership %
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

	2022 DKK'000	2021 DKK'000
Intangible assets	14,312	14,614
Property, plant and equipment	(1,266)	(1,376)
Liabilities other than provisions	(309)	(900)
Tax losses carried forward	(5,437)	(5,827)
Other taxable temporary differences	1,151	1,153
Deferred tax	**8,451**	**7,664**

Changes during the year	**2022 DKK'000**	**2021 DKK'000**
Beginning of year	7,664	6,984
Recognised in the income statement	787	(1,623)
Prior year adjustments	0	2,303
End of year	**8,451**	**7,664**

15 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK'000	**Due within 12 months 2021 DKK'000**	**Due after more than 12 months 2022 DKK'000**	**Outstanding after 5 years 2022 DKK'000**
Subordinate loan capital	0	0	200,000	200,000
Bank loans	36,000	57,737	141,000	0
Lease liabilities	0	1,206	9,928	0
	36,000	**58,943**	**350,928**	**200,000**

16 Unrecognised rental and lease commitments

	2022 DKK'000	**2021 DKK'000**
Total liabilities under rental or lease agreements until maturity	**50,068**	39,857
Of this, liabilities under rental or lease agreements with group enterprises	**47,907**	35,987

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 theese cases are reflected in the financial statement.

18 Assets charged and collateral

Bank loans are secured by mortagaging of stocks in subsiduariry with a booked amount off 108mDKK.

19 Related parties with controlling interest

Name	Registered office	Basis of influence
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
Carsten Riisberg Lund	Skovvænget 8 DK-3550 Slangerup	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 in the accounting system related to inventory in a subsidiary. Furthermore, a lost arbitration case related to agent commission and error in tax calculation in subsidiaries has been recognized. According to management the errors relates to prior years.

The accumulated error is DKK -16,6 million net of tax (tax effect is DKK 9.9 million) and is adjusted on equity at the beginning of the year and corrected in relevant years. The error effect profit after tax negatively in 2021 with DKK -7,4 million (2020: DKK -4,0 million), (2019: DKK -3,9 million), (2018: DKK -1,3 million) and is recognized in the relevant years. Comparative figures and financial highlights under management commentary are restated.

Summary of numbers effected from the 2021 annual report.

- Income after tax DKK -7.4 million
- Income tax payable DKK -9,7 million
- Other payables DKK 21,1 million
- Inventories DKK 5.4 million
- Total assets DKK -5.4 million
- Equity DKK -16.6 million (accumulated error)
- Total Liabilities DKK -5.4 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 recongnition in the balance sheet, and amortization of recongnized 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 comapny.

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

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

Income from investments in 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:

	Useful life
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.

Investment property
On initial recognition, investment properties are measured at cost consisting of the acquisition price of the properties plus directly related acquisition costs.

Subsequent to initial recognition, investment properties are measured at fair value which is equivalent to the amount at which the individual property may be sold to an independent buyer at the balance sheet date.

Fair value is determined by applying the yield-based model as the calculated value in use of expected cash flows from each property. The calculation is based on budgeted net earnings for the next year that has been adjusted to normal earnings, and using a required yield rate that reflects current market yield rates for similar properties. The value is adjusted for factors not reflected in normal earnings, for example, actual vacancy rate, major refurbishments etc.

The financial year's adjustments of the properties' fair value are recognised in the income statement.

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.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

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.