# Dinex A/S

Fynsvej 39
5500 Middelfart
CVR No. 10504473

# Annual report 2021

The Annual General Meeting adopted the annual report on 30.06.2022

**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: 01.01.2021 - 31.12.2021

### 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

### 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 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021.

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, 18.03.2022

**Executive Board**

**Torben Staal Dinesen**

**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 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021 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, 18.03.2022

**Deloitte**
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

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

**Søren Marquart Alsen**
State Authorised Public Accountant
Identification No (MNE) mne40040

# Management commentary

## Financial highlights

| | 2021<br>DKK'000 | 2020<br>DKK'000 | 2019<br>DKK'000 | 2018<br>DKK'000 | 2017<br>DKK'000 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Revenue | 2,202,677 | 1,731,735 | 1,529,336 | 1,232,856 | 1,039,651 |
| Gross profit/loss | 547,534 | 409,370 | 433,840 | 390,266 | 350,554 |
| EBITDA | 337,367 | 234,412 | 212,199 | 184,343 | 140,074 |
| Operating profit/loss | 271,211 | 173,450 | 155,179 | 152,090 | 83,043 |
| Net financials | (53,591) | (47,923) | (22,255) | (46,138) | (35,904) |
| Profit/loss before tax | 221,157 | 130,524 | 132,924 | 105,952 | 47,139 |
| Profit/loss for the year | 173,300 | 111,117 | 117,054 | 102,644 | 32,548 |
| Balance sheet total | 1,693,288 | 1,434,905 | 1,330,875 | 1,145,296 | 927,851 |
| Investments in property, plant and equipment | 112,843 | 80,216 | 72,564 | 67,393 | 46,538 |
| Equity | 266,633 | 285,843 | 316,783 | 201,579 | 108,285 |
| Equity incl minority interests and subordinated loan | 466,633 | 485,843 | 516,783 | 401,579 | 223,285 |
| Average invested capital incl. goodwill | 1,055,363 | 972,742 | 950,229 | 766,887 | 615,429 |
| Net interest-bearing debt | 601,072 | 543,600 | 499,166 | 443,923 | 442,568 |
| | | | | | |
| **Ratios** | | | | | |
| Gross margin (%) | 24.86 | 23.64 | 28.37 | 31.66 | 33.72 |
| EBITDA margin (%) | 15.30 | 14.20 | 13.90 | 15.00 | 13.50 |
| Net margin (%) | 7.87 | 6.42 | 7.65 | 8.33 | 3.13 |
| Return on invested capital incl. goodwill (%) | 16.42 | 11.42 | 12.32 | 13.38 | 5.29 |
| Financial gearing | 2.25 | 1.90 | 1.58 | 2.20 | 4.09 |
| Return on equity (%) | 62.74 | 36.88 | 45.16 | 66.25 | 33.56 |
| Equity ratio incl. subordinated loan (%) | 27.56 | 33.86 | 38.79 | 35.10 | 24.20 |
| Equity ratio (%) | 15.75 | 19.92 | 23.80 | 17.60 | 11.67 |
| Net interest-bearing debt to EBITDA | 1.80 | 2.20 | 2.40 | 2.40 | 3.20 |

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
Average 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 A/S 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 operating profit (EBIT) of the Group was DKK 271.213 thousand against DKK 173.450 thousand in 2020. The result before tax for the Group was DKK 221.157 thousand against DKK 130.254 thousand in 2020. The year-end total net result after tax for the Group was DKK 173.300 thousand against DKK 111.117 thousand in 2020.

EBITDA amounts to DKK 337 million and is significantly improved compared to the 2020 level. The satisfactory performance meets the expectations and supports that the right decisions were executed on the Dinex strategy; Shaping the Future despite the challenges that we also phased during Covid-19. The improvement is driven by stable and profitable business globally for both aftermarket and OEM industry.

The performance in 2021 has improved the key figures and financial ratios significantly compared to 2020 and supported the journey and secures a strong fundament for the next strategy phase from 2021-2023 named "Shaping the Future".

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

In the outlook of 2021 Dinex expected to reach an EBITDA margin of 14-16%. The actual EBITDA margin for 2021 reached 15.30%, which is considered satisfying.

### Unusual circumstances affecting recognition and measurement

No unusual conditions have been noted in the actual financial year, which might have influenced this annual report positively or negatively.

### Outlook

Dinex is closely following the development in Ukraine and supports all sanctions by US/EU against Russia.

2022 will continue the positive trend seen in revenue and profits due to exploitation and expansion of the well-established global footprint. We expect longterm profitable growth driven by the European, Chinese, Indian OEM market and AEM market growth in the US driven by the new after-market product portfolio, but we also foresee that the global economy and thereby our business growth and earnings will be negatively impacted by the situation in Ukraine/Russia.

The EBITDA margin, excluding special items, is expected to reach a level in the range of 14-17%, as a result of increased revenue, exploitation of footprint, continued focus on efficiency, investment in future technology and a cost conscious approach.

There will be a financial impact by the Russian invasion of Ukraine in 2022 and as a consequence increase cost prices in most categories that Dinex attempts to neutralize.

The level of investments in production machinery, technology and development projects are planned to be on a continued high level in 2022 with focus on optimization of processes that are already in place and specific activities related to future technology and patent solutions in line with the strategy for the next period 2021-2023 named “shaping the future”.

Management estimates that the Group will achieve a satisfactory positive result in 2022 despite the expected negative impact of the situation in Ukraine/Russia.

**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.

*Financial exposure*

Dinex has invested in a Joint Venture with a Chinese manufacturer. The return on the investment is highly dependent of the development in the Chinese market for emission products. The introduction of stricter emission standards have been accelerated in China and provided the right opportunity to be nominated for a National 6 application.

*Credit risk*

The credit risks of the Group are primarily related to trade receivables, which at the end of 2021 were DKK 372.758 thousand against DKK 345.562 thousand in 2020. The customers can be grouped in 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 2021.

*Currency and interests 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.

The currency risk of the Group is mainly managed through matching of incoming and outgoing payment currencies, where as 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 2021, a total net exchange loss of DKK 14.879 thousand is realized, against a net loss of DKK 12.303 thousand in 2020. The exchange loss is mainly driven by loss in Turkish Lire.

*Intellectual capital resources*

The employees in the Dinex Group cover a wide field. At year-end, the Group had 1.626 employees, including 84 in Denmark.

We have continued the strategic prioritization of developing and upgrading skills and competences supported by more than 50 different activities carried out for employees globally, introduced talent programs covering both leadership but also specialist roles among others and we will continue to invest in our employees in the next strategy period “shaping the future” covering 2021-2023.

## Research and development activities

The company's total costs for R&D make up approx. 3% 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

The main contribution to society by the Dinex Group is the Group's development, production and sale of particulate filters reducing harmful particles and noise from diesel engines. Today, particles are considered a key health issue in many cities around the world and governments are fighting pollution through constantly tightening of emission regulations. Dinex has developed a technology that can eliminate 99.9% of particles emanating from diesel engines. The Group wants to contribute to a sustainable development by preventing pollution and reducing energy consumption and thereby also comply to the UN' sustainable development goals that are considered highly relevant for Dinex Group. We have selected 3 primary goals and 2 secondary which is incorporated in the Strategy for 2021-2023 and we intend to visualize it both internally and externally in 2022.

The Group's CSR efforts are outlined below, including the policies and guidelines on which the Group bases its work. The Company's CSR activities are attended to all global sites within the Dinex Group. For further information about the Groups business mode, please refer to section's primary activities and development in activities and finance above. We are also aware of CSR risks in relation to our activities. The risks will be outlined in the following sections.

**Our CSR focus in 2021 - activities and results**

Dinex' CSR efforts fall within three general areas that relate to the company's day-to-day operations and production: Environment, supplier management and employee relations.

**1. Environment**

The primary risk is if we do any harm to the environment, e.g. due to increase in material use, energy consumption and scrap quantities. This could lead to reputational damage for the Group and criticism from stakeholders. As part of the environmental focus, Dinex production sites are all certified according to environmental management system ISO 14001 and certain sites also to Energy Efficiency standard ISO 50001.

Through environmental and sustainability policies, the Group has committed itself to comply with regulatory requirements, communicating honestly with stakeholders on environmental and climate issues, and regularly improving the environmental and climate footprint resulting from Dinex operations. Our focus is on improving the circularity and efficiency of materials and resources used directly and indirectly in our processes, reducing electricity consumption, and reducing travelling, transport, as well as direct and indirect greenhouse gas emissions.

As an example of Dinex' focus on sustainability we have introduced a dedicated Sustainability Policy which will result in a new global consolidated tracking of Dinex' environmental, climate and social impact from our operations. This will add a new level of transparency in the Dinex Group and will be published in an upcoming ESG report with expected finalization end of 2022. The consolidated tracking will be followed by a new database of reduction initiatives where employees from all global sites will be reporting local initiatives done to reduce their local environmental and climate footprint – as well as take inspiration from other entities.

With our sustainability policy the Dinex Group has committed itself to a target of achieving Net Zero Greenhouse Gas emissions for all global operations by 2040.

Besides from the focus on our own footprint, our products continue to reduce pollution and environmental effects of combustion engines globally.

**2. Supplier management**
The primary risk concerning suppliers is if suppliers harm the environment or do not treat employees well. This may have an impact on the local environment and could potentially lead to stakeholder criticism of Dinex. Dinex wants to promote a focus on responsibility among the Group's suppliers and business partners. When selecting new suppliers, weight is thus attached to responsibility being considered actively in the relevant supplier's day-to -day operations and management.

In order to support this objective, the guidelines are specified in the Group's Code of Conduct as criteria when evaluating potential suppliers. New suppliers receive our Code of Conduct, and are also encouraged to obtain an environmental certification.

The Group's existing and most significant suppliers are also audited annually, based on similar criteria and the guidelines of the Code of Conduct. Group Management have not identified any abnormalities in the supplier behavior in 2021. Dinex has developed new governance and control procedures in 2021 by launching a new Group Procurement organization, documenting business reviews, include questionnaires, interviews and test the supplier compliance.

**3. Human rights**
The primary risk is if our employees feel discriminated, which may impact our ability to retain and at-tract employees. This may lead to reputational damage and criticism regarding our work environment. Dinex respects human rights, including gender, race, color, religion or belief, political opinion, sexual orientation, age, disability or 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.

**4. Human Resources**
The Departments of Human Resources in Dinex provided a range of different programs linked to the HR Annual Wheel and services as well as advice and guidance on a wide range of employment situations. With human resources professionals located in all Dinex entities globally, the departments provided programs and services in the entire employment life cycle from onboarding to retirement.

Again in 2021, the year has been affected by the Covid-19 pandemic and its many challenges. Not least, keeping the work environment safe and stable has required a lot of resources from HR in the attempt to maintain preventive actions and coordination of workflows to keep necessary and safe environments running.
HR succeeded to increase awareness and succeed to monitor all agreed precautions and restrictions and succeeded in keeping Dinex as a safe workplace despite the many shadow sides of the pandemic.

The must win battles supporting the strategy was in 2021 defined as:

1) Building critical skills and competencies to meet business requirements just in time - by building-up tools and processes to support business areas

2) Work globally in the Group to promote understanding of behavioral and personality styles, visualized to develop collaboration and personality understanding, organizational design and change management to optimize efficiency.

3) Work smarter and efficient by building up HR digitization solutions

4) Roll-out uniformed global Pre- & Onboarding program to strengthen quality of early orientation, training and retention of newcomers. Increase employee engagement by conducting surveys to map needed improvement initiatives.

5) Optimize management skills and foster future leaders by training, successor planning and internal career planning

6) Transform most important learnings from COVID effects to shape and re-think traditional ways working by extend use of e.g. video-, e-platforms, remote work, learning from internal surveys / studies to increase WC effectiveness via awareness and training

7) Support and facilitate Operations in implementing BC Bonus system to control overtime & increase motivation.

**Work environment**
We managed to keep the unexpected people turnover below 2%, which has ensured stability in knowledge as well as ongoing operational performance throughout the year. Furthermore, in 2021 we have experienced a uniquely strong stability in the management layers in most places in the group, which has ensured the continuity in the exercise of decisions on a broad scale. The same goes for the sickness rate, which despite challenges created by the pandemic, has been kept at a level that has not created any disruptions.

**Dinex University**
In the first half of 2021, Dinex University completed nearly 100 Level 2 Leadership trainings for all local Management Teams globally.

The training was conducted digitally, based on Dinex's self-developed training material and conducted by Top Management members, the HR organization and other invited colleagues with special expertise.

In 2021, it has been a priority that HR, in collaboration with various business areas, has developed tools for mapping specific critical competencies to be used for both onboarding, standardized training and for the future as master data in digital platforms.

Late 2021 it was decided, to prioritize additional resources in 2022 to be able to upscale and structure university activities to an even higher level, and thereby increasingly growing competencies from within and counteracting competition for talent from outside.
March 2022 a fulltime employee will take lead in the continued building and structuring of training activities locally as well as establish academies in each entity within AEM and OEM globally.

**Covid-19 pandemic**
From 2021, we take with us that it is possible to change the traditional perception that the work must be performed in physical community with colleagues in office environments.
We have certainly changed our perception of this when we once again in 2021 demonstrated strong business results that were created by many employees from private addresses.

We exercised in the year of 2020 and went all the way in 2021 with a dedicated global Workplace Policy that for many employees meant a stronger balance between work and private life.
Even when the Covid pandemic is long gone, we will maintain our flexibility in the workplace for the benefit of current and future employees.

At the same time, however, we want to remind each other of Dinex's values and what they mean for our community - professionally, culturally and socially. That part we will never give up.

The most important we have learned from Covid-19 is how we best take care of each other and how we master change processes that everyone respects and understands. Even often with short to non-notice. That has been an important lesson to us and taught us to navigate fast and precise when changing circumstances, normally bound into strong routines. We will keep the learnings and repeat the same principles when conducting huger change processes in the future.

**Looking ahead**
2022 will be a year in which growth in competencies in a more structured and decentralized context will have an even greater place than before.

This also applies to building even more training based on specific needs within more direct business areas, technology and leadership.

We still want to promote the safe, stable and healthy work environment where both current and new employees feel comfortable and want to develop their careers internally both locally but increasingly also globally.

Human Resources in Dinex will maintain a strong focus on digitization of solutions in global process management. As a preface to the individual transformations, it´s a clear mission to structure large amounts of data in addition to optimize and aligned employee information to ensure a rational and uniformed implementation process and subsequently reach on common solution.

With the Human Resources mission to contributes to the success of Dinex and its employees and business through leadership, service and excellence in human resource management we believe in the following MWB in 2022;

1. **Workforce readiness** Promoting a healthy working environment through HSE cultural training, comprehensive employee motivation initiatives, market conformity in remuneration structures, structured and well-organized recruitment approach

2. **Competence growth** To ensure and protect competence; Categorize critical skills to system platforms and transform into academy trainings to support on-boarding, business needs and leadership just in time

3. **Employee well-being** Structured approach to top 5 focus areas for improving Survey 2021 results to strengthen employee retaining and attraction of new employees, social as well as prof. events to promote the cultural life of Dinex

4. **Increase the attractiveness** Boost activity's of employee profiles, articles, press releases to influence and increase awareness and attraction, establish binding corporation with Business- & Engineering University´s to support pipeline

5. **Work smarter** As per Group strategy workout HR IT Roadmap in align with IT strategy to coordinate and structure digitization towards more efficient workflows. Apart from the above planning for Time office & Leave Management online

6. **Management & Leadership** Mgr.- & Leadership trainings & standardize Ind. Dev. planning in level 1-2-3, Dev. Leadership Handbook to next generation level, "Trust & Perform." appraisal tools, Person. transparency, 360´globally

7. **Compliance** Ensure updated GDPR compliance in accordance with current rules and legislation globally. Ensure proper follow up of statutory compliances as per applicability

### Statutory report on the underrepresented gender

All Dinex staff was recruited based on professional skills without regard to religion, race, gender, handicap or age. As a Group, we look upon diversity as a strength, and we actively combat discrimination and aspire to promote equal treatment. This applies to the management level as well as all other levels in the organization.

Dinex has been working actively to increase the number of the underrepresented gender in order to gain the benefits of more dynamic and differences in problem-solving, decision-making, etc.

Dinex' increased focus on the underrepresented gender has led to a number of actions, e.g. increased focus on women candidates in engineering and other science-based functions within the Group.
In total, the Dinex group is comprised by 18% women and 82% men, but for white collars 35% is actually women. The goal is that the gender representation for white collars in the organization as minimum must follow the gender composition in the Executive Committee.

The Executive Committee has defined a target for 2021 to increase the actual level at 25% in 2017 to 30% women and 70% men. We expected to meet the target in 2021 despite the redesigned management structure with a split in AEM and OEM management teams, but we ended at 27% women in both the top management levels and the next level of managers by the end of 2021. Therefore, Dinex will continue to work actively on ensuring and maintaining a balance in the local and group management teams with an overall target to reach 30% women by end of 2023.

Dinex wants the Board of Directors to reflect the diversity existing in all other parts of the Company and is therefore aiming to get a female candidate in the Board of Directors within 2022. However, Dinex also acknowledges that the automotive industry is dominated by men, and it might therefore be more challenging to find a suitable female candidate as Dinex will not compromise the professional qualifications for such a candidacy.

Nevertheless, the Dinex' Board of Directors consist of six members, where off one member is a woman elected on the general assembly in 2018 and reelected in 2019, 2020 and 2021, so we managed to fulfill the goal with a female board member before 2022.

### 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 has had increased focus on development and implementation of the Group Data Ethics policy during 2021 and strive towards optimizing and improving the policy in the coming years.

### Events after the balance sheet date

Dinex is closely following the development in Ukraine and supports all sanctions by US/EU against Russia. The Russian invasion of Ukraine in 2022 has caused increased cost prices in most categories and the company foresee that the global economy and thereby the business growth and earnings in general will be negatively impacted by the situation in Ukraine/Russia. At present it is not possible to make a reliable estimate of the negative impact of the invasion and when the net sales and operations of the company will be normalized.

Dinex has the capital resources in place and the management has taken the necessary steps to secure the business.

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

# Consolidated income statement for 2021

| | Notes | 2021<br>DKK'000 | 2020<br>DKK'000 |
|---|---|---|---|
| Revenue | 2 | 2,202,677 | 1,731,735 |
| Production costs | | (1,655,143) | (1,322,365) |
| **Gross profit/loss** | | **547,534** | **409,370** |
| Distribution costs | | (125,728) | (104,016) |
| Administrative expenses | 3 | (162,691) | (143,598) |
| Other operating income | 6 | 16,455 | 24,635 |
| Other operating expenses | | (4,359) | (12,941) |
| **Operating profit/loss** | | **271,211** | **173,450** |
| Income from investments in associates | | 3,537 | 4,997 |
| Other financial income | 7 | 34,856 | 22,419 |
| Other financial expenses | 8 | (88,447) | (70,342) |
| **Profit/loss before tax** | | **221,157** | **130,524** |
| Tax on profit/loss for the year | 9 | (47,857) | (19,407) |
| **Profit/loss for the year** | 10 | **173,300** | **111,117** |

# Consolidated balance sheet at 31.12.2021

## Assets

| | Notes | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|---|
| Completed development projects | 12 | 45,879 | 36,961 |
| Acquired licences | | 11,491 | 10,041 |
| Goodwill | | 0 | 0 |
| Development projects in progress | 12 | 34,761 | 42,585 |
| **Intangible assets** | 11 | **92,131** | **89,587** |
| Land and buildings | | 117,034 | 115,663 |
| Investment property | | 127,000 | 127,000 |
| Plant and machinery | | 171,934 | 133,661 |
| Other fixtures and fittings, tools and equipment | | 38,676 | 29,220 |
| Property, plant and equipment in progress | | 56,863 | 43,688 |
| **Property, plant and equipment** | 13 | **511,507** | **449,232** |
| Investments in associates | | 62,638 | 55,951 |
| Other receivables | | 2,362 | 8,439 |
| Deferred tax | 15 | 29,537 | 29,378 |
| **Financial assets** | 14 | **94,537** | **93,768** |
| **Fixed assets** | | **698,175** | **632,587** |
| Raw materials and consumables | | 170,396 | 114,443 |
| Work in progress | | 32,219 | 27,484 |
| Manufactured goods and goods for resale | | 159,396 | 134,730 |
| **Inventories** | | **362,011** | **276,657** |

| | | | |
|---|---|---|---|
| Trade receivables | | 372,758 | 345,562 |
| Other receivables | | 70,674 | 60,173 |
| Tax receivable | | 15,953 | 12,491 |
| Prepayments | 16 | 20,533 | 15,972 |
| **Receivables** | | **479,918** | **434,198** |
| **Cash** | | **153,184** | **91,463** |
| **Current assets** | | **995,113** | **802,318** |
| **Assets** | | **1,693,288** | **1,434,905** |

## Equity and liabilities

| | Notes | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|---|
| Contributed capital | | 2,250 | 2,250 |
| Retained earnings | | 264,383 | 273,593 |
| Proposed dividend for the financial year | | 0 | 10,000 |
| **Equity** | | **266,633** | **285,843** |
| | | | |
| Deferred tax | 15 | 29,996 | 24,099 |
| Other provisions | 17 | 597 | 616 |
| **Provisions** | | **30,593** | **24,715** |
| | | | |
| Subordinate loan capital | | 200,000 | 200,000 |
| Mortgage debt | | 39,216 | 42,174 |
| Bank loans | | 153,243 | 212,711 |
| Finance lease liabilities | | 6,969 | 5,541 |
| **Non-current liabilities other than provisions** | 18 | **399,428** | **460,426** |
| | | | |
| Current portion of non-current liabilities other than provisions | 18 | 70,639 | 63,019 |
| Bank loans | | 484,189 | 311,618 |
| Trade payables | | 277,637 | 215,096 |
| Payables to owners and management | | 50,000 | 0 |
| Tax payable | | 17,554 | 14,043 |
| Other payables | | 96,615 | 60,145 |
| **Current liabilities other than provisions** | | **996,634** | **663,921** |
| | | | |
| **Liabilities other than provisions** | | **1,396,062** | **1,124,347** |
| | | | |
| **Equity and liabilities** | | **1,693,288** | **1,434,905** |
| | | | |
| Events after the balance sheet date | 1 | | |
| Staff costs | 4 | | |
| Amortisation, depreciation and impairment losses | 5 | | |
| Unrecognised rental and lease commitments | 20 | | |
| Transactions with related parties | 21 | | |
| Group relations | 22 | | |
| Subsidiaries | 23 | | |

# Consolidated statement of changes in equity for 2021

| | Contributed capital DKK'000 | Retained earnings DKK'000 | Proposed dividend for the financial year DKK'000 | Total DKK'000 |
|---|---|---|---|---|
| Equity beginning of year | 2,250 | 281,693 | 10,000 | 293,943 |
| Adjustment of material errors | 0 | (8,100) | 0 | (8,100) |
| **Adjusted equity, beginning of year** | **2,250** | **273,593** | **10,000** | **285,843** |
| | | | | |
| Ordinary dividend paid | 0 | 0 | (10,000) | (10,000) |
| Extraordinary dividend paid | 0 | (200,000) | 0 | (200,000) |
| Exchange rate adjustments | 0 | 14,671 | 0 | 14,671 |
| Other entries on equity | 0 | 2,819 | 0 | 2,819 |
| Profit/loss for the year | 0 | 173,300 | 0 | 173,300 |
| **Equity end of year** | **2,250** | **264,383** | **0** | **266,633** |

# Consolidated cash flow statement for 2021

| | Notes | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|---|
| Operating profit/loss | | 271,211 | 173,450 |
| Amortisation, depreciation and impairment losses | | 66,154 | 53,720 |
| Other provisions | | (19) | (182) |
| Working capital changes | 19 | (18,484) | 28,558 |
| Currency adjustments | | (11,068) | (28,310) |
| **Cash flow from ordinary operating activities** | | **307,794** | **227,236** |
| Financial income received | | 1,115 | 174 |
| Financial expenses paid | | (39,829) | (35,784) |
| Taxes refunded/(paid) | | (30,251) | (14,212) |
| **Cash flows from operating activities** | | **238,829** | **177,414** |
| Acquisition etc. of intangible assets | | (22,264) | (38,110) |
| Acquisition etc. of property, plant and equipment | | (112,815) | (80,780) |
| Sale of property, plant and equipment | | 1,381 | 15,977 |
| Other cash flows from investing activities | | (2,602) | (8,936) |
| **Cash flows from investing activities** | | **(136,300)** | **(111,849)** |
| **Free cash flows generated from operations and investments before financing** | | **102,529** | **65,565** |
| Loans raised | | 484,189 | 148,510 |
| Repayments of loans etc. | | (53,378) | (78,934) |
| Dividend paid | | (160,000) | (110,000) |
| **Cash flows from financing activities** | | **270,811** | **(40,424)** |
| **Increase/decrease in cash and cash equivalents** | | **373,340** | **25,141** |

| | | |
|---|---|---|
| Cash and cash equivalents beginning of year | (220,156) | (245,297) |
| **Cash and cash equivalents end of year** | **153,184** | **(220,156)** |
| | | |
| Cash and cash equivalents at year-end are composed of: | | |
| Cash | 153,184 | 91,463 |
| Short-term bank loans | 0 | (311,619) |
| **Cash and cash equivalents end of year** | **153,184** | **(220,156)** |

# Notes to consolidated financial statements

## 1 Events after the balance sheet date

Dinex is closely following the development in Ukraine and supports all sanctions by US/EU against Russia. The Russian invasion of Ukraine in 2022 has caused increased cost prices in most categories and the company foresee that the global economy and thereby the business growth and earnings in general will be negatively impacted by the situation in Ukraine/Russia. At present it is not possible to make a reliable estimate of the negative impact of the invasion and when the net sales and operations of the company will be normalized.

Dinex has the capital resources in place and the management has taken the necessary steps to secure the business.

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

## 2 Revenue

| | 2021<br>DKK'000 | 2020<br>DKK'000 |
|---|---|---|
| Denmark | 11,069 | 6,962 |
| Other countries | 2,191,608 | 1,724,773 |
| **Total revenue by geographical market** | **2,202,677** | **1,731,735** |
| AEM | 545,899 | 357,572 |
| OEM | 1,656,778 | 1,374,163 |
| **Total revenue by activity** | **2,202,677** | **1,731,735** |

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

| | 2021<br>DKK'000 | 2020<br>DKK'000 |
|---|---|---|
| Statutory audit services | 1,008 | 1,007 |
| Other assurance engagements | 16 | 25 |
| Tax services | 248 | 344 |
| Other services | 0 | 36 |
| | **1,272** | **1,412** |

## 4 Staff costs

| | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|
| Wages and salaries | 160,835 | 159,707 |
| Pension costs | 9,599 | 7,980 |
| Other social security costs | 33,956 | 24,219 |
| | **204,390** | **191,906** |

| | | |
|---|---|---|
| Average number of full-time employees | 1,626 | 1,438 |

| | Remuneration of Management 2021 DKK'000 | Remuneration of Management 2020 DKK'000 |
|---|---|---|
| Total amount for management categories | 5,529 | 5,516 |
| | **5,529** | **5,516** |

## 5 Depreciation, amortisation and impairment losses

| | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|
| Amortisation of intangible assets | 18,824 | 15,586 |
| Depreciation on property, plant and equipment | 48,630 | 46,058 |
| Profit/loss from sale of intangible assets and property, plant and equipment | (1,299) | (3,300) |
| | **66,155** | **58,344** |

## 6 Other operating income

The Group has received around DKK 5 million in compensation related to COVID-19. The compensation received are mainly to cover cost and salary. All compensation is received outside Denmark.

## 7 Other financial income

| | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|
| Other interest income | 1,115 | 174 |
| Exchange rate adjustments | 33,741 | 22,245 |
| | **34,856** | **22,419** |

## 8 Other financial expenses

| | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|
| Other interest expenses | 39,828 | 35,783 |
| Exchange rate adjustments | 48,619 | 34,559 |
| | **88,447** | **70,342** |

## 9 Tax on profit/loss for the year

| | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|
| Current tax | 38,161 | 22,827 |
| Change in deferred tax | 4,866 | (3,196) |
| Adjustment concerning previous years | 4,830 | (224) |
| | **47,857** | **19,407** |

## 10 Proposed distribution of profit/loss

| | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|
| Ordinary dividend for the financial year | 0 | 10,000 |
| Extraordinary dividend distributed in the financial year | 200,000 | 100,000 |
| Retained earnings | (26,700) | 1,117 |
| | **173,300** | **111,117** |

## 11 Intangible assets

| | Completed development projects DKK'000 | Acquired licences DKK'000 | Goodwill DKK'000 | Development projects in progress DKK'000 |
|---|---|---|---|---|
| Cost beginning of year | 107,516 | 30,215 | 19,694 | 42,585 |
| Exchange rate adjustments | 1,775 | 188 | 0 | 0 |
| Transfers | 20,011 | 0 | 0 | (20,011) |
| Additions | 6,398 | 3,679 | 0 | 12,187 |
| Disposals | (2,268) | (55) | (19,694) | 0 |
| **Cost end of year** | **133,432** | **34,027** | **0** | **34,761** |
| Amortisation and impairment losses beginning of year | (70,555) | (20,174) | (19,694) | 0 |
| Exchange rate adjustments | (517) | (74) | 0 | 0 |
| Amortisation for the year | (16,481) | (2,343) | 0 | 0 |
| Reversal regarding disposals | 0 | 55 | 19,694 | 0 |
| **Amortisation and impairment losses end of year** | **(87,553)** | **(22,536)** | **0** | **0** |
| **Carrying amount end of year** | **45,879** | **11,491** | **0** | **34,761** |

## 12 Development projects

Development projects primarily consist of the development of CN6 technology primarily for the Chinese market, H4 & H6 platforms for the Indian market and Euro VI and VII technologies generally for markets all around the world, which in many instances are already used in our current products. These technologies are important for the future product portfolio and hence the Group's ability to support the Customer's demands in the future.

## 13 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 | 167,495 | 127,000 | 393,109 | 106,505 | 44,370 |
| Exchange rate adjustments | 2,805 | 0 | 7,865 | 2,189 | 2,186 |
| Additions | 6,166 | 0 | 77,989 | 18,381 | 34,960 |
| Disposals | (2,347) | 0 | (29,162) | (14,817) | (24,653) |
| **Cost end of year** | **174,119** | **127,000** | **449,801** | **112,258** | **56,863** |
| Depreciation and impairment losses beginning of year | (51,832) | 0 | (259,448) | (77,285) | (682) |
| Exchange rate adjustments | (1,334) | 0 | (5,128) | (1,579) | 0 |
| Reversal of impairment losses | 0 | 0 | 0 | 0 | 682 |
| Depreciation for the year | (6,266) | 0 | (33,112) | (9,252) | 0 |
| Reversal regarding disposals | 2,347 | 0 | 19,821 | 14,534 | 0 |
| **Depreciation and impairment losses end of year** | **(57,085)** | **0** | **(277,867)** | **(73,582)** | **0** |
| **Carrying amount end of year** | **117,034** | **127,000** | **171,934** | **38,676** | **56,863** |
| Recognised assets not owned by Entity | 0 | 0 | 9,070 | 95 | 0 |

The group's investment property is a partial production, warehouse and office building of 17,708 m2. The property is 100% let on a lease with a remaining lease term of 5 years. The yearly rent amounts to DKK 507 / m2.

The investment property is measured at fair value by application of the return-based model. The required rate of return for the company's property is 7.1% per. 31.12.2021 (7.0% as of 31.12.2020). A change in the required rate of return by (+/- 0.5%) will have an effect on respectively DKK -8.5 million and DKK +9.8 million.

The property is valued at DKK 7,172 / m2.

No external assessor has been used in determining the fair values.

## 14 Financial assets

| | Investments in associates DKK'000 | Other receivables DKK'000 | Deferred tax DKK'000 |
|---|---|---|---|
| Cost beginning of year | 26,857 | 8,439 | 26,678 |
| Additions | 2,602 | 0 | 2,859 |
| Disposals | 0 | (6,077) | 0 |
| **Cost end of year** | **29,459** | **2,362** | **29,537** |
| Revaluations beginning of year | 29,094 | 0 | 0 |
| Exchange rate adjustments | 548 | 0 | 0 |
| Share of profit/loss for the year | 3,537 | 0 | 0 |
| **Revaluations end of year** | **33,179** | **0** | **0** |
| **Carrying amount end of year** | **62,638** | **2,362** | **29,537** |

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

## 15 Deferred tax

| | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|
| Intangible assets | 14,767 | 14,525 |
| Property, plant and equipment | 26,633 | 24,843 |
| Inventories | (727) | (539) |
| Receivables | (2,076) | 514 |
| Liabilities other than provisions | (4,884) | (4,482) |
| Tax losses carried forward | (31,945) | (38,201) |
| Other taxable temporary differences | (1,309) | 761 |
| **Deferred tax** | **459** | **(2,579)** |

| **Changes during the year** | **2021 DKK'000** | **2020 DKK'000** |
|---|---|---|
| Beginning of year | (2,579) | (9,662) |
| Recognised in the income statement | 4,866 | 2,893 |
| Other changes | (1,828) | 4,190 |
| **End of year** | **459** | **(2,579)** |

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 2022 and 2023, which is why the unutilized taxation is expected to be utilized in connection with positive earnings in the coming years.

### 16 Prepayments
Consists of prepayments regarding insurance, marketing etc.

### 17 Other provisions
Consists of expected cost related to litigation.

### 18 Non-current liabilities other than provisions

| | Due within 12 months 2021 DKK'000 | Due within 12 months 2020 DKK'000 | Due after more than 12 months 2021 DKK'000 | Outstanding after 5 years 2021 DKK'000 |
|---|---|---|---|---|
| Subordinate loan capital | 0 | 0 | 200,000 | 200,000 |
| Mortgage debt | 2,944 | 2,929 | 39,216 | 27,503 |
| Bank loans | 64,155 | 58,962 | 153,243 | 0 |
| Lease liabilities | 3,540 | 1,128 | 6,969 | 0 |
| | **70,639** | **63,019** | **399,428** | **227,503** |

### 19 Changes in working capital

| | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|
| Increase/decrease in inventories | (74,553) | 27,497 |
| Increase/decrease in receivables | (42,258) | (70,191) |
| Increase/decrease in trade payables etc. | 98,327 | 71,252 |
| | **(18,484)** | **28,558** |

### 20 Unrecognised rental and lease commitments

| | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|
| Total liabilities under rental or lease agreements until maturity | **108,434** | **108,576** |

### 21 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.

### 22 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

## 23 Subsidiaries

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

# Parent income statement for 2021

| | Notes | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|---|
| Revenue | 1 | 148,589 | 191,317 |
| Production costs | | (139,031) | (166,647) |
| **Gross profit/loss** | | **9,558** | **24,670** |
| Distribution costs | | (27,716) | (26,560) |
| Administrative expenses | | 21,253 | 13,410 |
| Other operating income | | 10,897 | 5,820 |
| **Operating profit/loss** | | **13,992** | **17,340** |
| Income from investments in group enterprises | | 171,322 | 99,776 |
| Income from investments in associates | | 3,537 | 4,997 |
| Other financial income | 4 | 12,596 | 18,774 |
| Other financial expenses | 5 | (29,537) | (31,528) |
| **Profit/loss before tax** | | **171,910** | **109,359** |
| Tax on profit/loss for the year | 6 | 1,390 | 1,758 |
| **Profit/loss for the year** | 7 | **173,300** | **111,117** |

# Parent balance sheet at 31.12.2021

## Assets

| | Notes | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|---|
| Completed development projects | 9 | 22,466 | 20,580 |
| Acquired concessions | | 7,661 | 7,555 |
| Development projects in progress | 9 | 37,354 | 37,354 |
| **Intangible assets** | 8 | **67,481** | **65,489** |
| Plant and machinery | | 12,907 | 12,431 |
| Other fixtures and fittings, tools and equipment | | 4,297 | 4,572 |
| Leasehold improvements | | 1,177 | 839 |
| **Property, plant and equipment** | 10 | **18,381** | **17,842** |
| Investments in group enterprises | | 912,213 | 727,572 |
| Investments in associates | | 62,638 | 55,951 |
| Other receivables | | 1,055 | 7,143 |
| **Financial assets** | 11 | **975,906** | **790,666** |
| **Fixed assets** | | **1,061,768** | **873,997** |
| Raw materials and consumables | | 1,912 | 1,971 |
| Manufactured goods and goods for resale | | 21,839 | 23,230 |
| **Inventories** | | **23,751** | **25,201** |
| Trade receivables | | 6,788 | 5,839 |
| Receivables from group enterprises | | 211,136 | 223,183 |
| Other receivables | | 6,772 | 17,400 |
| Prepayments | 12 | 4,738 | 3,379 |
| **Receivables** | | **229,434** | **249,801** |
| **Cash** | | **8** | **12** |
| **Current assets** | | **253,193** | **275,014** |
| **Assets** | | **1,314,961** | **1,149,011** |

## Equity and liabilities

| | Notes | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|---|
| Contributed capital | | 2,250 | 2,250 |
| Reserve for net revaluation according to equity method | | 320,410 | 150,078 |
| Reserve for development costs | | 46,659 | 31,866 |
| Retained earnings | | (102,686) | 91,650 |
| Proposed dividend for the financial year | | 0 | 10,000 |
| **Equity** | | **266,633** | **285,844** |
| | | | |
| Deferred tax | 13 | 7,664 | 6,984 |
| **Provisions** | | **7,664** | **6,984** |
| | | | |
| Subordinate loan capital | | 200,000 | 200,000 |
| Bank loans | | 142,000 | 199,737 |
| Lease liabilities | | 4,824 | 3,037 |
| **Non-current liabilities other than provisions** | 14 | **346,824** | **402,774** |
| | | | |
| Current portion of non-current liabilities other than provisions | 14 | 58,943 | 33,496 |
| Bank loans | | 498,422 | 289,734 |
| Trade payables | | 16,398 | 17,310 |
| Payables to group enterprises | | 50,661 | 89,937 |
| Payables to owners and management | | 50,000 | 0 |
| Other payables | | 19,416 | 22,932 |
| **Current liabilities other than provisions** | | **693,840** | **453,409** |
| | | | |
| **Liabilities other than provisions** | | **1,040,664** | **856,183** |
| | | | |
| **Equity and liabilities** | | **1,314,961** | **1,149,011** |
| | | | |
| Staff costs | 2 | | |
| Amortisation, depreciation and impairment losses | 3 | | |
| Unrecognised rental and lease commitments | 15 | | |
| Contingent liabilities | 16 | | |
| Related parties with controlling interest | 17 | | |
| Transactions with related parties | 18 | | |

# Parent statement of changes in equity for 2021

| | 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 | Proposed dividend for the year DKK'000 |
|---|---|---|---|---|---|
| Equity beginning of year | 2,250 | 158,178 | 31,866 | 91,650 | 10,000 |
| Adjustment of material errors | 0 | (8,100) | 0 | 0 | 0 |
| **Adjusted equity, beginning of year** | **2,250** | **150,078** | **31,866** | **91,650** | **10,000** |
| Ordinary dividend paid | 0 | 0 | 0 | 0 | (10,000) |
| Extraordinary dividend paid | 0 | 0 | 0 | (200,000) | 0 |
| Exchange rate adjustments | 0 | 0 | 0 | 14,671 | 0 |
| Other entries on equity | 0 | 2,818 | 0 | 0 | 0 |
| Transfer to reserves | 0 | 0 | 14,793 | (14,793) | 0 |
| Profit/loss for the year | 0 | 167,514 | 0 | 5,786 | 0 |
| **Equity end of year** | **2,250** | **320,410** | **46,659** | **(102,686)** | **0** |

| | Total DKK'000 |
|---|---|
| Equity beginning of year | 293,944 |
| Adjustment of material errors | (8,100) |
| **Adjusted equity, beginning of year** | **285,844** |
| Ordinary dividend paid | (10,000) |
| Extraordinary dividend paid | (200,000) |
| Exchange rate adjustments | 14,671 |
| Other entries on equity | 2,818 |
| Transfer to reserves | 0 |
| Profit/loss for the year | 173,300 |
| **Equity end of year** | **266,633** |

# Notes to parent financial statements

## 1 Revenue

| | 2021<br>DKK'000 | 2020<br>DKK'000 |
|---|---|---|
| Denmark | 8,695 | 6,962 |
| Other countries | 139,894 | 184,355 |
| **Total revenue by geographical market** | **148,589** | **191,317** |
| AEM | 148,240 | 145,675 |
| OEM | 349 | 45,642 |
| **Total revenue by activity** | **148,589** | **191,317** |

## 2 Staff costs

| | 2021<br>DKK'000 | 2020<br>DKK'000 |
|---|---|---|
| Wages and salaries | 49,572 | 40,128 |
| Pension costs | 4,433 | 3,512 |
| Other social security costs | 4,191 | 2,527 |
| | **58,196** | **46,167** |

| | | |
|---|---|---|
| Average number of full-time employees | 84 | 92 |

| | Remuneration of Manage-ment<br>2021<br>DKK'000 | Remuneration of Manage-ment<br>2020<br>DKK'000 |
|---|---|---|
| Total amount for management categories | 5,529 | 5,516 |
| | **5,529** | **5,516** |

## 3 Depreciation, amortisation and impairment losses

| | 2021<br>DKK'000 | 2020<br>DKK'000 |
|---|---|---|
| Amortisation of intangible assets | 14,628 | 11,565 |
| Depreciation on property, plant and equipment | 3,991 | 4,898 |
| | **18,619** | **16,463** |

## 4 Other financial income

| | 2021<br>DKK'000 | 2020<br>DKK'000 |
|---|---|---|
| Financial income from group enterprises | 7,518 | 13,635 |
| Exchange rate adjustments | 5,078 | 5,139 |
| | **12,596** | **18,774** |

## 5 Other financial expenses

| | 2021<br>DKK'000 | 2020<br>DKK'000 |
|---|---|---|
| Financial expenses from group enterprises | 1,857 | 2,300 |
| Other interest expenses | 26,129 | 26,715 |
| Exchange rate adjustments | 1,551 | 2,513 |
| | **29,537** | **31,528** |

## 6 Tax on profit/loss for the year

| | 2021<br>DKK'000 | 2020<br>DKK'000 |
|---|---|---|
| Change in deferred tax | (1,623) | (1,758) |
| Adjustment concerning previous years | 233 | 0 |
| | **(1,390)** | **(1,758)** |

## 7 Proposed distribution of profit and loss

| | 2021<br>DKK'000 | 2020<br>DKK'000 |
|---|---|---|
| Ordinary dividend for the financial year | 0 | 10,000 |
| Extraordinary dividend distributed in the financial year | 200,000 | 100,000 |
| Retained earnings | (26,700) | 1,117 |
| | **173,300** | **111,117** |

## 8 Intangible assets

| | Completed development projects DKK'000 | Acquired concessions DKK'000 | Development projects in progress DKK'000 |
|---|---|---|---|
| Cost beginning of year | 74,624 | 17,606 | 37,354 |
| Additions | 14,841 | 1,781 | 0 |
| Disposals | 0 | (56) | 0 |
| **Cost end of year** | **89,465** | **19,331** | **37,354** |
| Amortisation and impairment losses beginning of year | (54,044) | (10,051) | 0 |
| Exchange rate adjustments | 0 | (2) | 0 |
| Amortisation for the year | (12,955) | (1,673) | 0 |
| Reversal regarding disposals | 0 | 56 | 0 |
| **Amortisation and impairment losses end of year** | **(66,999)** | **(11,670)** | **0** |
| **Carrying amount end of year** | **22,466** | **7,661** | **37,354** |

## 9 Development projects

Development projects primarily consist of the development of CN6 technology primarily for the Chinese market, H4 & H6 platforms for the Indian market and Euro VI and VII technologies generally for markets all around the world, which in many instances are already used in our current products. These technologies are important for the future product portfolio and hence the Group's ability to support the Customer's demands in the future.

## 10 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 | 75,666 | 26,516 | 11,287 |
| Additions | 2,997 | 1,006 | 527 |
| Disposals | (3,451) | (14,238) | (2,347) |
| **Cost end of year** | **75,212** | **13,284** | **9,467** |
| Depreciation and impairment losses beginning of year | (63,235) | (21,944) | (10,448) |
| Depreciation for the year | (2,521) | (1,281) | (189) |
| Reversal regarding disposals | 3,451 | 14,238 | 2,347 |
| **Depreciation and impairment losses end of year** | **(62,305)** | **(8,987)** | **(8,290)** |
| **Carrying amount end of year** | **12,907** | **4,297** | **1,177** |
| Recognised assets not owned by entity | 6,324 | 68 | 0 |

## 11 Financial assets

| | Investments in group enterprises DKK'000 | Investments in associates DKK'000 | Other receivables DKK'000 |
|---|---|---|---|
| Cost beginning of year | 606,588 | 26,857 | 7,143 |
| Additions | 18,393 | 2,602 | 0 |
| Disposals | 0 | 0 | (6,088) |
| **Cost end of year** | **624,981** | **29,459** | **1,055** |
| Revaluations beginning of year | 120,984 | 29,094 | 0 |
| Exchange rate adjustments | 14,122 | 548 | 0 |
| Share of profit/loss for the year | 175,234 | 3,537 | 0 |
| Adjustment of intra-group profits | (3,912) | 0 | 0 |
| Dividend | (22,015) | 0 | 0 |
| Other adjustments | 2,819 | 0 | 0 |
| **Revaluations end of year** | **287,232** | **33,179** | **0** |
| **Carrying amount end of year** | **912,213** | **62,638** | **1,055** |

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

## 12 Prepayments

Prepayments primarily comprise insurance, software licenses and lease payments.

## 13 Deferred tax

| | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|
| Intangible assets | 14,614 | 8,175 |
| Property, plant and equipment | (1,376) | 378 |
| Receivables | 0 | (11) |
| Liabilities other than provisions | (900) | (145) |
| Tax losses carried forward | (5,827) | (2,566) |
| Other taxable temporary differences | 1,153 | 1,153 |
| **Deferred tax** | **7,664** | **6,984** |

| **Changes during the year** | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|
| Beginning of year | 6,984 | 7,064 |
| Recognised in the income statement | (1,623) | (80) |
| Prior year adjustments | 2,303 | 0 |
| **End of year** | **7,664** | **6,984** |

## 14 Non-current liabilities other than provisions

| | Due within 12 months 2021 DKK'000 | Due within 12 months 2020 DKK'000 | Due after more than 12 months 2021 DKK'000 | Outstanding after 5 years 2021 DKK'000 |
|---|---|---|---|---|
| Subordinate loan capital | 0 | 0 | 200,000 | 200,000 |
| Bank loans | 57,737 | 32,737 | 142,000 | 0 |
| Lease liabilities | 1,206 | 759 | 4,824 | 0 |
| | **58,943** | **33,496** | **346,824** | **200,000** |

## 15 Unrecognised rental and lease commitments

| | 2021 DKK'000 | 2020 DKK'000 |
|---|---|---|
| Total liabilities under rental or lease agreements until maturity | 39,857 | 45,750 |
| Of this, liabilities under rental or lease agreements with group enterprises | 35,987 | 44,856 |

## 16 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.

## 17 Related parties with controlling interest

| Name | Registered office | Basis of influence |
|---|---|---|
| Dinex Emission Holding A/S | Fynsvej 39<br>DK-5500 Middelfart | Shareholder |
| 3C Dinex A/S | Østre Stationsvej 1<br>DK-5000 Odense C | Shareholder |
| Niels Thorborg | Langelinie 185<br>DK-5230 Odense M | Chairman of the Board of Directors |
| Torben Dinesen | Strandstien 157<br>DK-5500 Middelfart | CEO & Board Member |
| Birgit Bæk Thomsen | Jørgensens Alle 7<br>DK-8722 Hedensted | Board Member |
| Carsten Riisberg Lund | Skovvænget 8<br>DK-3550 Slangerup | Board Member |
| Jens Prytz Sørensen | Drosselvej 20<br>DK-5500 Middelfart | Board Member |
| Jørn Tolstrup Rohde | Langelinie 85<br>DK-5230 Odense M | Board Member |

## 18 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. According to management the error relates to prior years.

The accumulated error is estimated to DKK -10.8 million before tax and is adjusted on equity at the beginning of the year. The tax effect related to the error is DKK 2.7 million . The comparative figures are adjusted as per below.

Summary of numbers effected from the 2020 annual report.

Income after tax before correction DKK 119.2 million, error DKK -8.1 million, adjusted income after tax DKK 111.1 million.
Inventory before correction DKK 287.5 million, error DKK -10.8 million, adjusted inventory DKK 276.7 million.
Deferred tax before correction DKK 29.2 million, error related to deferred tax DKK 2.7 million, adjusted deferred tax DKK 31.9 million.
Assets before correction DKK 1,443 million, effect on assets DKK -8.1 million, adjusted assets DKK 1,434.9 million.
Equity before correction DKK 293.9 million, effect on equity DKK -8.1 million, adjusted equity DKK 285.8 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.

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.

**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.

## Balance sheet

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

For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile. Useful lives are reassessed annually. The amortisation periods used are 5-20 years.
Goodwill is written down to the lower of recoverable amount and carrying amount.

**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:

| | |
|---|---|
| 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.