# *Svend Hoyer A/S*

Over Hadstenvej 42, DK-8370 Hadsten

Annual Report for 2022

CVR No. 17 63 06 95

The Annual Report was presented and adopted at the Annual General Meeting of the company on 22/5 2023

Henrik Petersen
Chairman of the general meeting

# Contents

# Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of Svend Hoyer A/S for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Hadsten, 22 May 2023

**Executive Board**

| | |
|---|---|
| Henrik Sørensen<br>CEO | Henrik Petersen<br>CFO |

**Board of Directors**

| | | |
|---|---|---|
| Søren Østergaard Sørensen<br>Chairman | Henrik Sørensen | Hans Mønster |

# Independent Auditor's report

To the shareholder of Svend Hoyer A/S

**Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company´s operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Svend Hoyer A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

**Basis for Opinion**

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

**Statement on Management's Review**

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

**Management's responsibilities for the Financial Statements**

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

In preparing the Financial Statements, Management is responsible for assessing the Company´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

# Independent Auditor's report

**Auditor’s responsibilities for the audit of the Financial Statements**

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

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

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

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Aarhus C, 22 May 2023

**PricewaterhouseCoopers**
Statsautoriseret Revisionspartnerselskab
*CVR No 33 77 12 31*

| | |
|---|---|
| Henrik Kragh | Thomas Bernth Jensen |
| State Authorised Public Accountant | State Authorised Public Accountant |
| mne26783 | mne47814 |

# Company information

| | |
|---|---|
| **The Company** | Svend Hoyer A/S<br>Over Hadstenvej 42<br>DK-8370 Hadsten<br><br>CVR No: 17 63 06 95<br>Financial period: 1 January - 31 December<br>Municipality of reg. office: Hinnerup |
| **Board of Directors** | Søren Østergaard Sørensen, chairman<br>Henrik Sørensen<br>Hans Mønster |
| **Executive board** | Henrik Sørensen<br>Henrik Petersen |
| **Auditors** | PricewaterhouseCoopers<br>Statsautoriseret Revisionspartnerselskab<br>Jens Chr. Skous Vej 1<br>8000 Aarhus C |

# Financial Highlights

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

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| **Key figures** | | | | | |
| **Profit/loss** | | | | | |
| Revenue | 565,175 | 435,733 | 393,955 | 627,631 | 457,242 |
| Profit/loss of ordinary primary operations | -3,290 | -6,599 | 8,554 | 64,082 | 28,053 |
| Adjusted EBITDA * | 25,732 | -2,691 | 11,829 | 70,993 | 32,921 |
| Profit/loss of financial income and expenses | 17,089 | 7,948 | 4,508 | 357 | -4,055 |
| Profit/loss from discontinuing activities | 0 | 0 | 65,013 | 0 | 0 |
| Net profit/loss | 14,140 | 2,339 | 77,238 | 45,897 | 16,196 |
| **Balance sheet** | | | | | |
| Balance sheet total | 553,616 | 476,736 | 360,204 | 315,089 | 290,497 |
| Investment in property, plant and equipment | 553 | 1,374 | 5,562 | 2,437 | 4,318 |
| Equity | 208,129 | 195,893 | 188,735 | 112,544 | 66,396 |
| Number of employees | 105 | 100 | 105 | 115 | 96 |
| **Ratios** | | | | | |
| Solvency ratio | 37.6% | 41.1% | 52.4% | 35.7% | 22.9% |
| Return on equity | 7.0% | 1.2% | 51.3% | 51.3% | 26.4% |

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts, see under accounting policies.

* Adjusted EBITDA: Hoyer has incurred costs which are considered extraordinary or significantly outside Hoyer's normal activities. Consequently, adjusted EBITDA is an expression of Hoyer's normalised EBITDA from primary activities.

** Profit/loss from discontinuing activities: The Hoyer Transmission business unit was divested in 2020. Comparable figures for 2018-2019 have not been adjusted for the discontinuing activities, hence 2020-2022 lacks comparability with 2018-2019.

# Management's review

**Key activities**

Hoyer is a leading value adding provider of bespoke intelligent electric motor solutions to the marine, premium HVAC, energy, and industrial sectors, primarily in Europe and Asia. The Group designs high quality electric motors that are sold under the Hoyer brand and offers drives and controls that ensures long-term sustainable energy savings.

The value proposition is founded on industry-leading delivery performance, testing capabilities and product quality, supported by deep application knowledge and a commitment to value-added service, which ensure reliable solutions through the operating lifetime. These are all important parameters to the customers' business. Hoyer's strong customer relationships, timely delivery and offering of high-quality motors and solutions at competitive prices makes Hoyer an attractive partner. Hoyer's commitment to excellence is recognised by satisfied customers who rely on the products every day in the most difficult operating environments.

**Development in the year and follow-up on development expectations from last year**

The strong growth is attributed to Hoyer's more focused commercial approach, new initiatives, and the effective supply chain management, which ensured delivery availability despite challenging circumstances posed by stock shortages and supply chain interruptions.

Revenue has also shown significant growth compared to 2021. The growth has been driven by the order book from previous year, as well as continued order intake strength. Revenue from high efficiency motors (IE3+) has increased 47% in 2022 and the development is expected to continue into 2023, increasing Hoyer's contribution to the green transition.

Gross margin has been impacted by the significant increases in material- and freight costs. Consequently, price increases have been implemented and the gross margin has in late 2022 been moving back toward its pre-Covid-19 level.

In the past year, Hoyer successfully completed the implementation of a new ERP system, which is set to enhance efficiency and improve inventory management.

The costs for the ERP implementation have been partially recorded as operating expenses in the income statement. These expenses are non-recurring, and together with the settlement of a legal case, the total non-recurring expenses amount to DKK 25 million. Excluding non-recurring expenses, the adjusted EBITDA for the year amount to DKK 26 million, compared to DKK -3 million in 2021.

In terms of order intake, revenue growth, and overall results, the progress made this year meets or exceeds the targets and expectations outlined in the Management Review of the Annual Report 2021.

The income statement for 2022 shows a profit of DKK 14 million, and at 31 December 2022 the balance sheet shows equity of DKK 208.129.

**Unusual events**

Please refer to section on development in the year for information on extraordinary expenses.

**Expectations for the future**

Management expects growth in order intake for 2023 as continued steady demand is expected in the marine and industry segments while the premium HVAC segment is expected to soften due to the downturn in building construction. A very strong second half of 2022 with regards to earnings and order intake has made a promising basis for continuation in 2023.

Management has budgeted a total revenue of DKK 576 million and an EBITDA of DKK 31 million for 2023. However, due to the strong performance in the beginning of the year, Management expects that Hoyer will exceed these targeted figures for the year.

**Operating risks**

Hoyer's primary business risk is linked to the overall global economic development and the specific developments within the customer and industry sectors served. In recent years Hoyer has diversified the customer base and expanded the presence in various segments such as premium HVAC, industrial pumps, and energy, reducing its reliance on the marine segment.

Hoyer is also exposed to variations in freight and material prices (copper, aluminium, cast iron, and silicon steel). During the year Hoyer has improved internal processes and procedures to be able to better address and manage this risk, which can be seen in a positive margin development during the year.

**Financial risks**

As a result of its operations, investments and financing, Hoyer is exposed to changes in currency exchange rates, credit risks and liquidity risks.

**Foreign exchange risks**

Hoyer is affected by changes in currency exchange rates, as goods purchased and the main part of the turnover is invoiced in a foreign currency, while the main part of the costs, including wages and salaries, are mainly paid in Danish Kroner.

Hoyer hedges the foreign exchange risk by means of the finance policy approved by the Board of Directors.

**Credit risks**

Hoyer's policy for assuming credit risks means that all customers and other business partners are credit rated on an ongoing basis. The historic credit losses have been on a very low level.

**Liquidity risks**

Hoyer has credit facilities available exceeding the expected requirements of the Company.

**Group structure as per 31/12-2022**

The Group has legal companies in several countries in both Europe, Asia and America, which manage the activities in the respective areas. In addition, Svend Hoyer A/S also has branches in both Japan and Korea consisting of sales offices to support activities in these countries. The branches continue to be managed through the organisation in Svend Hoyer A/S.

**Statement of ESG**

No separate statement has been made for Svend Hoyer A/S. Please refer to the statement for Hoyer Group A/S.

In accordance with the Danish Financial Statements Act, section 99 a and 99 b Hoyer Group A/S publishes its report on ESG on the Hoyers website. Please refer to our report here:
https://hoyermotors.com/wp-content/uploads/2023/05/Hoyer-ESG-Report-2023.pdf

**Statement on data ethics, cf. section 99d of the Financial Statements Act**

Hoyers is responsible for and processes the information that customers provide, or which is collected about the customers. Customer information is treated with respect for the confidentiality of the information and for customer privacy.

There is a clear corporate policy on that personal information is used respectfully for customers’ and other stakeholders’ privacy to ensure compliance with the General Data Protection Regulation (GDPR), the Danish Data Protection Act, the Chinese Personal Information Protection Law (PIPL), and the Chinese Personally Identifiable Information (PII).

We are committed to upholding ethical considerations around data collection, processing, and use, which are becoming increasingly important to customers, employees, and other stakeholders. Our ethical data practices are designed to ensure that our data handling aligns with our values, respects human rights, and contributes to the public good.

The purpose of the data ethics policy is to support Hoyer’s data handling values and provide guidelines for current employees on how Hoyer collects, processes, uses, shares, and deletes data. This policy applies in all aspects where the Group processes data. We continuously evaluate our own efforts, actions, and policies related to our data ethics, including the use of new technology. This evaluation must include an assessment of whether it is necessary or appropriate to make changes to this policy or relevant procedures in Hoyer.

**Uncertainty relating to recognition and measurement**

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

# Income statement 1 January - 31 December

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | TDKK | TDKK |
| Revenue | 1 | 565,175 | 435,733 |
| Change in inventories of finished goods, work in progress and goods for resale | | 26,920 | 58,160 |
| Expenses for raw materials and consumables | | -492,722 | -411,700 |
| Other external expenses | | -42,106 | -34,011 |
| **Gross profit** | | **57,267** | **48,182** |
| Staff expenses | 2 | -56,160 | -51,567 |
| Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment | | -4,397 | -3,214 |
| Other operating expenses | | -11 | 0 |
| **Profit/loss before financial income and expenses** | | **-3,301** | **-6,599** |
| Income from investments in subsidiaries | | 14,979 | 6,503 |
| Financial income | 3 | 8,355 | 5,065 |
| Financial expenses | 4 | -6,245 | -3,620 |
| **Profit/loss before tax** | | **13,788** | **1,349** |
| Tax on profit/loss for the year | 5 | 352 | 990 |
| **Net profit/loss for the year** | 6 | **14,140** | **2,339** |

# Balance sheet 31 December

## Assets

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | TDKK | TDKK |
| Completed development projects | | 17,598 | 1,366 |
| Development projects in progress | | 0 | 9,714 |
| **Intangible assets** | 7 | **17,598** | **11,080** |
| Other fixtures and fittings, tools and equipment | | 5,830 | 8,213 |
| **Property, plant and equipment** | 8 | **5,830** | **8,213** |
| Investments in subsidiaries | 9 | 65,049 | 51,387 |
| Receivables from group enterprises | 10 | 1,646 | 1,584 |
| Deposits | 10 | 59 | 60 |
| **Fixed asset investments** | | **66,754** | **53,031** |
| **Fixed assets** | | **90,182** | **72,324** |
| Finished goods and goods for resale | | 179,009 | 152,089 |
| **Inventories** | | **179,009** | **152,089** |
| Trade receivables | | 79,481 | 68,859 |
| Receivables from group enterprises | | 37,319 | 24,711 |
| Other receivables | 15 | 880 | 913 |
| Receivable from shareholders and Management | | 156,122 | 153,309 |
| Deferred tax asset | 11 | 124 | 612 |
| Corporation tax receivable from group enterprises | | 5,963 | 2,960 |
| Prepayments | 12 | 1,946 | 699 |
| **Receivables** | | **281,835** | **252,063** |
| **Cash at bank and in hand** | | **2,590** | **260** |
| **Current assets** | | **463,434** | **404,412** |
| **Assets** | | **553,616** | **476,736** |

# Balance sheet 31 December

## Liabilities and equity

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | TDKK | TDKK |
| Share capital | | 1,000 | 1,000 |
| Reserve for net revaluation under the equity method | | 61,442 | 47,780 |
| Reserve for development costs | | 13,726 | 8,642 |
| Reserve for loans and security | | 156,122 | 153,309 |
| Reserve for hedging transactions | | -504 | 83 |
| Retained earnings | | -23,657 | -14,921 |
| **Equity** | | **208,129** | **195,893** |
| | | | |
| Other provisions | 13 | 1,765 | 1,100 |
| **Provisions** | | **1,765** | **1,100** |
| | | | |
| Other payables | | 3,074 | 5,828 |
| **Long-term debt** | 14 | **3,074** | **5,828** |
| | | | |
| Credit institutions | | 169,223 | 161,314 |
| Trade payables | | 53,616 | 45,332 |
| Payables to group enterprises | | 96,708 | 47,193 |
| Corporation tax | | 6,556 | 6,700 |
| Other payables | 14, 15 | 14,545 | 13,376 |
| **Short-term debt** | | **340,648** | **273,915** |
| | | | |
| **Debt** | | **343,722** | **279,743** |
| | | | |
| **Liabilities and equity** | | **553,616** | **476,736** |

| | |
|---|---|
| Contingent assets, liabilities and other financial obligations | 16 |
| Related parties | 17 |
| Subsequent events | 18 |
| Accounting Policies | 19 |

# Statement of changes in equity

| | Share capital | Reserve for net revaluation under the equity method | Reserve for development costs | Reserve for loans and security | Reserve for hedging transactions | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| | TDKK | TDKK | TDKK | TDKK | TDKK | TDKK | TDKK |
| Equity at 1 January | 1,000 | 47,780 | 8,642 | 153,309 | 83 | -14,921 | 195,893 |
| Exchange adjustments | 0 | -1,317 | 0 | 0 | 0 | 0 | -1,317 |
| Fair value adjustment of hedging instruments, end of year | 0 | 0 | 0 | 0 | -753 | 0 | -753 |
| Tax on adjustment of hedging instruments for the year | 0 | 0 | 0 | 0 | 166 | 0 | 166 |
| Development costs for the year | 0 | 0 | 6,231 | 0 | 0 | -6,231 | 0 |
| Depreciation, amortisation and impairment for the year | 0 | 0 | -1,147 | 0 | 0 | 1,147 | 0 |
| Additions reserve for loans and security | 0 | 0 | 0 | 2,813 | 0 | -2,813 | 0 |
| Net profit/loss for the year | 0 | 14,979 | 0 | 0 | 0 | -839 | 14,140 |
| **Equity at 31 December** | **1,000** | **61,442** | **13,726** | **156,122** | **-504** | **-23,657** | **208,129** |

# Notes to the Financial Statements

## 1. Revenue

| | 2022 | 2021 |
|---|---|---|
| | TDKK | TDKK |
| **Geographical segments** | | |
| Europe | 344,332 | 211,829 |
| Asia | 214,139 | 205,834 |
| Other | 6,704 | 18,070 |
| | **565,175** | **435,733** |

The Company has not disclosed its business segments as all products sold are categorised as "Motors".

## 2. Staff Expenses

| | 2022 | 2021 |
|---|---|---|
| | TDKK | TDKK |
| Wages and salaries | 51,324 | 47,319 |
| Pensions | 3,948 | 3,591 |
| Other social security expenses | 888 | 657 |
| | **56,160** | **51,567** |
| Including remuneration to the Executive Board and Board of Directors: | | |
| Executive board | 2,333 | 1,817 |
| Board of directors | 225 | 225 |
| | **2,558** | **2,042** |
| **Average number of employees** | **105** | **100** |

## 3. Financial income

| | 2022 | 2021 |
|---|---|---|
| | TDKK | TDKK |
| Interest received from group enterprises | 647 | 491 |
| Other financial income | 2,835 | 2,941 |
| Exchange adjustments | 4,873 | 1,633 |
| | **8,355** | **5,065** |

# Notes to the Financial Statements

| | 2022 | 2021 |
|---|---|---|
| | TDKK | TDKK |
| **4. Financial expenses** | | |
| Interest paid to group enterprises | 1,692 | 1,359 |
| Other financial expenses | 4,553 | 2,261 |
| | **6,245** | **3,620** |

| | 2022 | 2021 |
|---|---|---|
| | TDKK | TDKK |
| **5. Income tax expense** | | |
| Current tax for the year | -994 | -634 |
| Deferred tax for the year | 488 | -330 |
| Adjustment of tax concerning previous years | -12 | 0 |
| | **-518** | **-964** |
| thus distributed: | | |
| Income tax expense | -352 | -990 |
| Tax on equity movements | -166 | 26 |
| | **-518** | **-964** |

| | 2022 | 2021 |
|---|---|---|
| | TDKK | TDKK |
| **6. Profit allocation** | | |
| Reserve for net revaluation under the equity method | 14,979 | 6,503 |
| Retained earnings | -839 | -4,164 |
| | **14,140** | **2,339** |

# Notes to the Financial Statements

## 7. Intangible fixed assets

| | Completed development projects | Develop-ment projects in progress |
|---|---|---|
| | TDKK | TDKK |
| Cost at 1 January | 1,468 | 9,714 |
| Additions for the year | 575 | 7,414 |
| Transfers for the year | 17,128 | -17,128 |
| Cost at 31 December | 19,171 | 0 |
| | | |
| Impairment losses and amortisation at 1 January | 102 | 0 |
| Amortisation for the year | 1,471 | 0 |
| Impairment losses and amortisation at 31 December | 1,573 | 0 |
| | | |
| **Carrying amount at 31 December** | **17,598** | **0** |

Development projects comprise of expenses relating the Company's ERP-software and add-ons.

## 8. Property, plant and equipment

| | Other fixtures and fittings, tools and equipment |
|---|---|
| | TDKK |
| Cost at 1 January | 28,165 |
| Additions for the year | 553 |
| Disposals for the year | -220 |
| Cost at 31 December | 28,498 |
| | |
| Impairment losses and depreciation at 1 January | 19,951 |
| Depreciation for the year | 2,926 |
| Reversal of impairment and depreciation of sold assets | -209 |
| Impairment losses and depreciation at 31 December | 22,668 |
| | |
| **Carrying amount at 31 December** | **5,830** |
| | |
| Including assets under finance leases amounting to | 1,643 |

| | 2022 | 2021 |
|---|---|---|
| | TDKK | TDKK |

## 9. Investments in subsidiaries

| | | |
|---|---|---|
| Cost at 1 January | 3,607 | 3,607 |
| Cost at 31 December | 3,607 | 3,607 |
| | | |
| Value adjustments at 1 January | 47,780 | 36,549 |
| Exchange adjustment | -1,317 | 4,728 |
| Net profit/loss for the year | 14,979 | 6,503 |
| Value adjustments at 31 December | 61,442 | 47,780 |
| | | |
| **Carrying amount at 31 December** | **65,049** | **51,387** |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Ownership |
|---|---|---|
| Svend Hoyer Power Transmission (Ningbo) Co. Ltd (sub-group) | Ningbo, China | 100% |

## 10. Other fixed asset investments

| | Receivables from group enterprises | Deposits |
|---|---|---|
| | TDKK | TDKK |
| Cost at 1 January | 1,584 | 60 |
| Additions for the year | 62 | 0 |
| Disposals for the year | 0 | -1 |
| Cost at 31 December | 1,646 | 59 |
| | | |
| **Carrying amount at 31 December** | **1,646** | **59** |

# Notes to the Financial Statements

| | 2022 | 2021 |
|---|---|---|
| | TDKK | TDKK |
| **11. Deferred tax asset** | | |
| Deferred tax asset at 1 January | 612 | 282 |
| Amounts recognised in the income statement for the year | -488 | 330 |
| **Deferred tax asset at 31 December** | **124** | **612** |

The company has per 31 December 2022 recognized a deferred tax asset of TDKK 124, which can primarily be attributed to tax losses carried forward. The deferred tax asset is recognized on the basis of expectations for tax results and the utilization of tax losses carried forward for the coming years. According to prepared budgets and the management's expectations, the tax asset will be fully utilized in 2023.

## 12. Prepayments

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

## 13. Other provisions

The Company provides warranties on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions have been recognised for expected warranty claims.

| | 2022 | 2021 |
|---|---|---|
| | TDKK | TDKK |
| Other provisions | 1,765 | 1,100 |
| | **1,765** | **1,100** |

# Notes to the Financial Statements

## 14. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

| | 2022 | 2021 |
|---|---|---|
| | TDKK | TDKK |
| **Other payables** | | |
| After 5 years | 0 | 0 |
| Between 1 and 5 years | 3,074 | 5,828 |
| Long-term part | 3,074 | 5,828 |
| Within 1 year | 0 | 0 |
| Other short-term payables | 14,545 | 13,376 |
| | **17,619** | **19,204** |

## 15. Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

| | 2022 | 2021 |
|---|---|---|
| | TDKK | TDKK |
| Other receivables | 0 | 108 |
| Other payables | 645 | 0 |

Forward exchange contracts have been concluded to hedge future purchase in CNY and USD. At the balance sheet date, the fair value of the forward exchange contracts amounts to TDKK -645, which has resulted in a value adjustment on the equity of TDKK -753. The forward exchange contracts have a term of 1-6 months for an amount of TCNY 12,000 and TUSD 900.

## 16. Contingent assets, liabilities and other financial obligations

| | 2022 | 2021 |
|---|---|---|
| | TDKK | TDKK |
| **Rental and lease obligations** | | |
| Lease obligations under operating leases. Total future lease payments: | | |
| Within 1 year | 8,787 | 8,327 |
| Between 1 and 5 years | 28,991 | 27,741 |
| After 5 years | 7,373 | 13,427 |
| | **45,151** | **49,495** |

### Other contingent liabilities

Sydbank has pledged security in receivables from shareholders for all engagement with Svend Hoyer A/S and Svend Hoyer GmbH. The receivables amounts to DKK 156.1 million at 31 December 2022.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Hoyer Group A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

| | | |
|---|---|---|
| **Including to group enterprises** | | |
| Rental and lease obligations | 40,296 | 45,099 |

## 17. Related parties and disclosure of consolidated financial statements

| | **Basis** |
|---|---|
| **Controlling interest** | |
| Xilos Co-Investment No. 1 Separate Limited Partnership<br>Jersey, United Kingdom | Ultimate shareholder of Hoyer Group A/S |
| Hoyer Group A/S<br>Hadsten, Denmark | Majority shareholder of Svend Hoyer A/S |

### Transactions

During the year, the Company had the following transactions with its ultimate Parent Company and its subsidiaries:

Revenue: TDKK 129,354 (2021: TDKK 88,798)

Goods purchased: TDKK -167,202 (2021: TDKK -124,285)

Rent, buildings: TDKK -6,398 (2021: TDKK -6,325)

Administration fee: TDKK 1,300 (2021: TDKK -1,337)

Management fee, paid: TDKK 4,558 (2021: TDKK -3,797)

Management fee, received: TDKK 2,949 (2021: TDKK 2,631)

Interest income: TDKK 647 (2021: TDKK 455)

Interest expenses: TDKK 1,692 (2021: TDKK 1,359)

### Consolidated Financial Statements

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

| Name | Place of registered office |
|---|---|
| Hoyer Group A/S | Hadsten |

## 18. Subsequent events

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

## 19. Accounting policies

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

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in TDKK.

**Consolidated financial statements**

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2022 of Hoyer Group A/S, the Company has not prepared consolidated financial statements.

**Cash flow statement**

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

**Recognition and measurement**

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

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

**Leases**

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

**Translation policies**

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

**Derivative financial instruments**

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

**Hedge accounting**

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in the fair value reserve under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

**Segment information on revenue**

Information on geographical segments is based on the Company´s risks and returns and its internal financial reporting system.

# Notes to the Financial Statements

## Income statement

**Net sales**

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

• delivery has been made before year end;

• a binding sales agreement has been made;

• the sales price has been determined; and

• payment has been received or may with reasonable certainty be expected to be received.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

**Expenses for raw materials and consumables**

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

**Other external expenses**

Other external expenses comprise indirect production costs and expenses for premises, sales as well as office expenses, etc.

**Staff expenses**

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

**Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

**Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

**Income from investments in subsidiaries**

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

**Financial income and expenses**

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

# Notes to the Financial Statements

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

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Hoyer Group A/S. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

## Balance sheet

**Intangible fixed assets**

*Development projects*

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3-7 year.

**Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

| | |
|---|---|
| Other fixtures and fittings, tools and equipment | 3-6 years |

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

# Notes to the Financial Statements

**Impairment of fixed assets**

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

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

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

**Investments in subsidiaries**

Investments in subsidiaries are recognised and measured under the equity method.

The item “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

**Other fixed asset investments**

Other fixed asset investments consist of deposits.

**Inventories**

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

**Receivables**

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

**Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

# Notes to the Financial Statements

**Provisions**

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

**Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

**Current tax receivables and liabilities**

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

**Financial debts**

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

## Financial Highlights

**Explanation of financial ratios**

| | |
|---|---|
| Solvency ratio | Equity at year end x 100 / Total assets at year end |
| Return on equity | Net profit for the year x 100 / Average equity |