Dedert International A/S

Borupvang 3, 2750 Ballerup

Company reg. no. 18 63 17 76

Annual report

1 January - 31 December 2023

The annual report was submitted and approved by the general meeting on the 16 July 2024.

Michael Hur Bertelsen
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the Board of Directors and the Executive Board have approved the annual report of Dedert International A/S for the financial year 1 January - 31 December 2023.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Ballerup, 16 July 2024

Executive board

Guy Robert Lonergan	Colin William Crankshaw	Stephen Christopher Harrison

Board of directors

Dietmar Heinisser	Olaf Müller	Guy Robert Lonergan

Independent auditor's report

To the Shareholder of Dedert International A/S

Opinion

We have audited the financial statements of Dedert International A/S for the financial year 1 January - 31 December 2023, comprising income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Management’s Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

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

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

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

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

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

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

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

Statement on Management's Review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 16 July 2024

KPMG P/S
State Authorized Public Accountant
Company reg. no. 25 57 81 98

Martin Eiler
State Authorised Public Accountant
mne32271

Company information

The company	Dedert International A/S Borupvang 3 2750 Ballerup	
	Company reg. no.	18 63 17 76
	Financial year:	1 January - 31 December
Board of directors	Dietmar Heinisser Olaf Müller Guy Robert Lonergan	
Executive board	Guy Robert Lonergan Colin William Crankshaw Stephen Christopher Harrison	
Auditors	KPMG P/S Statsautoriseret revisionspartnerselskab	
Parent company	Andritz AG	
Subsidiaries	Dedert (Canada) Inc, Canada Dedert Holding Corp, USA Dedert Corp, USA Dedert Shanghai, China Dedert Mexico S. de R.L. de C.V., Mexico	

Financial highlights

DKK in thousands.	2023	2022	2021	2020	2019
Income statement:					
Gross profit	12.323	26.393	14.730	4.081	9.931
Profit from operating activities	-11.094	7.492	-1.192	-7.283	984
Net financials	-31.272	11.273	14.406	3.534	4.497
Net profit or loss for the year	-45.594	17.383	12.781	-2.919	4.403
Statement of financial position:					
Balance sheet total	236.369	251.917	213.562	163.453	188.731
Investments in property, plant and equipment	98	231	118	73	0
Equity	58.639	62.869	39.558	25.092	41.286
Employees:					
Average number of full-time employees	25	22	21	16	13
Key figures in %:					
Solvency ratio	24,8	25,0	18,5	15,4	21,9
Return on equity	-75,0	33,9	39,5	-8,8	11,4

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

Solvency ratio

$$\frac{\text{Equity, closing balance x 100}}{\text{Total assets, closing balance}}$$

Return on equity

$$\frac{\text{Net profit or loss for the year x 100}}{\text{Average equity}}$$

Description of key activities of the company

The Company’s main activities are the design and supply of drying and evaporating systems to customers worldwide with a focus on efficiency to reduce the environmental and operating costs.

The Company furthermore acts as parent company for companies in the Dedert Group.

Development in activities and financial matters

In October 2023 the Company was acquired by Andritz AG.

Net result for the year amounted to a loss of DKK 45.594 thousand (2022: DKK 17.383 thousand).

The Company’s order intake for large projects increased in 2023 to DKK 137.000 thousand compared to 2022 order intake of DKK 29.159 thousand. Most of this order intake arrived in late 2023 causing the Company’s operational results for 2023 to show decline in both revenue and profit margin. The results were further lowered by provisions for projects expecting losses and incentives paid to employees for completing the sale of the company.

Results from subsidiaries carried similar results with the subsidiaries settling realizing settlements on contracts and incentives paid to employees for completing the sale of the company.

Furthermore, applied method regarding estimation of percentage of completion of work in progress has changed in order to align with the (new) parent company's method. Reference is made to the accounting policy for more information.

As a result of the abovementioned factors the result is significantly below expectations expressed in last year’s annual report, section outlook.

Equity amounted to DKK 58.639 thousand as at 31 December 2023 (31 December 2022: DKK 62.869 thousand). Andritz AG has provided a grant of DKK 37.516 thousand to strengthen the Company's capital position.

Outlook

The Company expects significant growth in revenue and an improved profit margin in 2024 and expects that synergies with Andritz will lead to opportunities in new geographies and markets. The company and subsidiaries ended 2023 with a record high backlog of orders. Dedert expects that synergies will be received as part of its purchase by Andritz which should lead to both new sales opportunities and purchase savings. Management expects a pre-tax profit, including result from subsidiaries, in the level of DKK 10.000 thousand to DKK 20.000 thousand.

Financial instruments

The Company's risk exposure

The Compamy's primary currencies are USD, EUR and DKK with some risk exposure towards the USD/DKK exchange rate.

Intellectual capital

It is the Company's goal to maintain and consolidate the position as one of the leading suppliers of drying and evaporating equipment in niche markets, in particular food and food-related products and to a lesser extend chemical products. Dedert's US subsidiary continues to develop a line of proprietary spray drying equipment that the company is slated to hit the market in 2024. Some pre-orders for this equipment have already been received in 2023.

Research and development activities

Dedert group companies have an ongoing development programme, which secures that the Group can offer attractive drying and evaporation solutions.

Events occurring after the end of the financial year

No events have occurred after the balance sheet date that could significantly affect the Group's financial position.

Income statement 1 January - 31 December

DKK thousand.

Note		2023	2022
	Gross profit	**12.323**	**26.393**
1	Staff costs	-22.911	-18.446
	Depreciation, amortisation, and impairment	-506	-455
	Operating profit	**-11.094**	**7.492**
	Income from investments in group enterprises	-32.438	10.376
	Other financial income from group enterprises	5.292	5.454
	Other financial income	1	0
2	Other financial expenses	-4.127	-4.557
	Pre-tax net profit or loss	**-42.366**	**18.765**
3	Tax on net profit or loss for the year	-3.228	-1.382
4	**Net profit or loss for the year**	**-45.594**	**17.383**

Balance sheet at 31 December

DKK thousand.

Note	Assets	2023	2022
	Non-current assets		
5	Completed software projects	3.332	3.714
	Total intangible assets	3.332	3.714
6	Fixtures and fittings, tools and equipment	173	210
6	Assets under construction	98	86
	Total property, plant, and equipment	271	296
7	Investments in group enterprises	28.612	20.779
8	Receivables from group enterprises	137.757	136.424
	Total investments	166.369	157.203
	Total non-current assets	**169.972**	**161.213**
	Current assets		
	Trade receivables	29.141	20.198
9	Contract work in progress	9.111	20.447
	Receivables from group enterprises	202	43.554
10	Deferred tax assets	0	2.559
	Other receivables	2.592	1.751
11	Prepayments	9.499	1.639
	Total receivables	50.545	90.148
	Cash and cash equivalents	15.852	556
	Total current assets	**66.397**	**90.704**
	Total assets	**236.369**	**251.917**

Balance sheet at 31 December

DKK thousand.

Note	Equity and liabilities	2023	2022
	Equity		
	Contributed capital	33.200	33.200
	Retained earnings	25.439	29.669
	Total equity	**58.639**	**62.869**
	Provisions		
12	Provisions for deferred tax	121	41
13	Other provisions	6.270	158
	Total provisions	**6.391**	**199**
	Liabilities other than provisions		
14	Payables to group enterprises	109.517	107.372
	Total long term liabilities other than provisions	109.517	107.372
	Current portion of long term liabilities	1.483	803
9	Contract work in progress	27.637	14.125
	Trade payables	10.794	22.885
	Payables to group enterprises	17.337	40.254
	Income tax payable	638	239
	Other payables	3.933	3.171
	Total short term liabilities other than provisions	61.822	81.477
	Total liabilities other than provisions	**171.339**	**188.849**
	Total equity and liabilities	**236.369**	**251.917**

15 Contingencies

16 Related parties

Statement of changes in equity

DKK thousand.

	Contributed capital	Retained earnings	Total
Equity 1 January 2023	33.200	29.669	62.869
Retained earnings for the year	0	-45.594	-45.594
Capital contribution	0	37.516	37.516
Foreign Exchange Rate Adjustment	0	-5.084	-5.084
Pension Obligation Adjustment	0	7.584	7.584
Other adjustment	0	1.348	1.348
Equity 31 December 2023	**33.200**	**25.439**	**58.639**

Notes

DKK thousand.

		2023	2022
1.	**Staff costs**		
	Salaries and wages	18.398	15.235
	Pension costs	1.170	968
	Other costs for social security	3.343	2.243
		22.911	**18.446**
	Executive board	6.635	
	Board of directors	148	
	Executive board and board of directors	**6.783**	
	Average number of employees	25	22

Board of Directors and the Executive Board of the company have partly received their remuneration through management fee.

With reference to section 98b(3)(i) of the Danish Financial Statements Act, information on remuneration to the Executive Board and Board of Directors has been shown together for last year.

Board of Directors and the Executive Board of the company have last year received remuneration through management fee of total DKK 3,561 thousand.

		2023	2022
2.	**Other financial expenses**		
	Financial costs, group enterprises	3.898	3.273
	Other financial costs	229	1.284
		4.127	**4.557**

		2023	2022
3.	**Tax on net profit or loss for the year**		
	Tax on net profit or loss for the year	589	292
	Adjustment of deferred tax for the year	2.639	1.090
		3.228	**1.382**

DKK thousand.

		2023	2022
4.	**Proposed distribution of net profit**		
	Transferred to retained earnings	0	17.383
	Allocated from retained earnings	-45.594	0
	Total allocations and transfers	**-45.594**	**17.383**

		Completed software projects
5.	**Intangible assets**	
	Cost 1. januar 2023	4.096
	Cost 31. december 2023	**4.096**
	Amortisering and impairment 1. januar 2023	382
	Amortisering for the year	382
	Amortisering and impairment 31. december 2023	**764**
	Carrying amount 31. december 2023	**3.332**

DKK thousand.

6. Property, plant, and equipment

	Fixtures and fittings, tools and equipment	Assets under construction
Cost 1. januar 2023	721	86
Additions during the year	0	98
Transfer	86	-86
Cost 31. december 2023	**807**	**98**
Depreciation and writedown 1. januar 2023	510	0
Depreciation for the year	124	0
Depreciation and writedown 31. december 2023	**634**	**0**
Carrying amount 31. december 2023	**173**	**98**

DKK thousand.

		31/12 2023	31/12 2022
7.	**Investments in group enterprises**		
	Cost 1 January	23.255	23.255
	Additions during the year	36.621	0
	Cost 31 December	**59.876**	**23.255**
	Value adjustments 1 January	-13.164	-32.252
	Net profit or loss for the year incl. amortisation of goodwill	-32.438	10.376
	Foreign exchange adjustments	850	-2.297
	Actuarial gains and losses on pension obligations	7.584	11.009
	Other adjustments	1.348	0
	Writedown 31 December	**-35.820**	**-13.164**
	Offset against receiveables	4.556	10.688
	Set off against debtors and provisions for liabilities	**4.556**	**10.688**
	Carrying amount, 31 December	**28.612**	**20.779**
	The carrying amount include goodwill with an amount of	20.023	31.049

Group enterprises:

	Domicile	Equity interest
Dedert (Canada) Inc	Canada	100 %
Dedert Holding Corp	USA	100 %
Dedert Corp	USA	100 %
Dedert Shanghai	China	100 %
Dedert Mexico S. de R.L. de C.V.	Mexico	100 %

		31/12 2023	31/12 2022
8.	**Receivables from group enterprises**		
	Cost 1 January	142.313	147.112
	Cost 31 December	**142.313**	**147.112**
	Negative investment set off against receivable from subsidiary	-4.556	-10.688
	Write-down 31 December	**-4.556**	**-10.688**
	Carrying amount, 31 December	**137.757**	**136.424**

DKK thousand.

		31/12 2023	31/12 2022
9.	**Contract work in progress**		
	Selling price of the production for the period	367.625	343.747
	Progress billings	-386.151	-337.425
	Contract work in progress, net	**-18.526**	**6.322**
	The following is recognised:		
	Contract work in progress (current assets)	9.111	20.447
	Contract work in progress (short-term lianilities other than provision)	-27.637	-14.125
		-18.526	**6.322**

Applied method regarding estimation of percentage of completion of work in progress has changed in order to align with the (new) parent company's method. Under the new method subcontractor work is solely measured on milestone payments where the previous method also included estimated uninvoiced work until 31 December. The change is estimated to have decreased profit before tax with approx. DKK 29 million in both the Company and in its subsidiaries. Data is not available as at 31 December 2023 to calculated the effect with higher accuracy.

		31/12 2023	31/12 2022
10.	**Deferred tax assets**		
	Deferred tax assets 1 January	2.559	3.622
	Deferred tax of the net profit or loss for the year	-2.559	-1.063
		0	**2.559**

The Parent Company has deferred tax assets of DKK 9.3 million. The deferred tax has not been recognised due to uncertainty regarding the future utilisation.

11. Prepayments

Prepaid costs, DKK 9.499 thousand (2022: DKK 1.639 thousand), comprise payments made to suppliers relating to the subsequent financial year.

DKK thousand.

		31/12 2023	31/12 2022
12.	**Provisions for deferred tax**		
	Provisions for deferred tax 1 January 2023	41	8
	Deferred tax relating to the net profit or loss for the year	80	33
		121	**41**
13.	**Other provisions**		
	Warranties	400	158
	Loss making contracts	5.870	0
		6.270	**158**
14.	**Payables to group enterprises**		
	Total payables to group enterprises	111.000	108.175
	Share of amount due within 1 year	-1.483	-803
		109.517	**107.372**
	Share of liabilities due after 5 years	0	0

15. Contingencies

Contingent liabilities

Lease liabilities

Lease obligations (operating leases) falling due within five years total DKK 183 thousand (2022: 215 thousand).

Obligations relating to the lease of office premises amount to DKK 722 thousand (2022: 1.388 thousand) of which DKK 0 thousand falls due after five years.

Recourse guarantee commitments:

The Company has provided delivery and performance guarantees relating to projects. These guarantees may entail a liability which will not be recognised until the facilities have been delivered or put into operation. It is Management's assessment that the Company has met the provided guarantees, and consequently no costs have been recognised in this respect. Bank guarantees of DKK 26.4 million have been provided in this respect.

DKK thousand.

15. Contingencies (continued)

Joint taxation

The Company is jointly taxed with other Danish companies in the Andritz Group. The companies included in the joint taxation have unlimited, and joint and several liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. At 31 December 2023, the net taxes payable to the Danish tax authorities by the companies included in the joint taxation amounted to DKK 0 thousand. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase. The Group as a whole is not liable to others.

16. Related parties

Controlling interest

ANDRITZ AG, Stattegger Strasse 18, A-8045 Graz, Austria	Majority shareholder

Transactions

The company has the following related party transactions:

	2023	2022
Sale of services to related parties	7.484	13.298
Purchase of goods from related parties	687	294
Purchase of services from related parties	8.874	17.031

Consolidated financial statements

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
ANDRITZ AG, Austria

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
ANDRITZ AG, Austria

The group report for the foreign parent company can be ordered from the following address.

ANDRITZ AG, Stattegger Strasse 18, A-8045 Graz, Austria

The annual report for Dedert International A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

Change of reporting class

The annual report for 2023 has been prepared in accordance with the provisions applying to reporting class C medium entities. The transition from provisions applying to reporting class c entities large-sized under the Danish Financial Statements Act applied last year did not give rise to any revised recognition or measurement.

Omission of presentation of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Dedert International A/S and subsidiaries are included in the consolidated financial statements of Andritz AG

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Andritz AG

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Applied method regarding estimation of percentage of completion of work in progress has changed in order to align with the (new) parent company's method. Under the new method subcontractor work is solely measured on milestone payments where the previous method also included estimated uninvoiced work until 31 December. The change is estimated to have decreased profit before tax with approx. DKK 29 million in both the Company and in its subsidiaries. Data is not available as at 31 December 2023 to calculated the effect with higher accuracy.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Upon recognition of foreign subsidiaries and associates which are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity. Similarly, foreign exchange gains and losses on loans and derivative financial instruments taken out for the purpose of hedging investments in foreign subsidiaries are recognised directly in equity.

Upon recognition of foreign subsidiaries which are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, own work capitalised, other operating income, and external costs.

Income from the sale of goods for resale, finished goods and contract work in progress, which cannot be recognised after the production method, is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured, and payment is expected to be received. The revenue is recognised excluding VAT and taxes charged on behalf of third parties.

Contract work in progress is recognised in the revenue, based on the percentage of completion. Revenue is recognised, when the total income and expenses on construction contracts and the percentage of completion on the balance sheet date can be recognised reliably and it is plausible that payments accrue.

Other operating income comprises items secondary to the activities, including gains on the disposal of intangible assets and property, plant and equipment.

Raw materials, consumables and goods for resale comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables and rent and leases.

The item also comprises research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Also, provision for losses on construction contracts is included.

Other external costs comprise costs of distribution, sales and advertising, administrative expenses, costs of premises, bad debts, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension, and other social security costs, etc., for the employees, excluding reimbursements from public authorities.

Depreciation, amortisation, and write-down for impairment

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down for impairment of intangible and tangible assets, respectively.

Income from equity investments in subsidiaries

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the income statement after elimination of a proportionate share of intra-group gains/losses and amortisation of goodwill.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Commission paid in connection with bank guarantees provided in relation to contract work in progress is recognised under financial expenses.

Interest expense and other borrowing costs to finance intangible assets and property, plant and equipment which relate to the production period are recognised in cost of the assets.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Intangible assets

Development projects

Software

Software is measured at cost less accumulated amortization and impairment losses. Software is amortized over the expected useful lifetime, although not exceeding 10 years

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience within the individual business areas. The maximum amortisation period is between 5 and 25 years and longest for strategically acquired entities with a strong market position and long-term earnings profile.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Property, plant, and equipment

Property, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub suppliers, and wages and salaries.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

	Useful life
Other fixtures and fittings, tools and equipment	2-10 years

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Property, plant, and equipment in progress

Property, plant, and equipment in progress are measured and recognised as the total costs incurred. When the work has been completed, the total value is transferred to the relevant item under property, plant, and equipment and is amortised from the date of entry into service.

Leases

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Investments

Equity investments in subsidiaries

Equity investments in subsidiaries are measured according to the equity method.

Equity investments in subsidiaries are measured at the proportionate share of the entities' net asset values calculated in accordance with the accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Equity investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such entities are written down if the amount owed is irrecoverable. If the subsidiaries have a deficit that exceeds the amount owed, the remaining amount is recognised under provisions if the Parent Company has a legal or constructive obligation to cover the obligations of the subsidiary.

Net revaluation of equity investments in subsidiaries is recognised in the reserve for net revaluation according to the equity method and in equity to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Dedert International A/S are not recognised in the reserve for net revaluation.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists. Write-down of goodwill is not reversed.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Construction contracts

Construction contracts are measured at the selling price of the work performed less progress billings and expected losses. The selling price is measured on the basis of the stage of completion at the balance sheet date and the projected income from the individual construction contract. The stage of completion is stated as the share of costs incurred in proportion to estimated total costs relating to the individual construction contract.

When the selling price of a construction contract cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual construction contract is recognised in the balance sheet as receivables or payables, respectively. Net assets comprise the total of construction contracts where the selling price of the work performed exceeds progress billings. Net liabilities comprise the total of construction contracts where progress billings exceed the selling price.

Costs arising from sales work and contracting are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less that are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Equity

Dividend

The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

According to the rules of joint taxation, Dedert International A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Provisions

Warranties and projects

Provisions comprise anticipated costs related to warranties, losses on work in progress, restructurings, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation.

Provisions are measured at net realisable value or fair value if the obligation is expected to be settled in the distant future.

Warranties comprise obligations to make good any defects within the warranty period. Provisions are measured at net realisable value and recognised based on past experience.

If it is likely that total costs will exceed total income from contract work in progress, a provision is made for the total loss anticipated on the contract. The provided amount is recognised in production costs.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.