Annual Report 2022

Financial year 1 January – 31 December 2022

Date / Name of chairman of the meeting:
22 June 2023

Contents

Statement by the Board of directors and the Executive board

The Board of Directors and the Executive Board have today discussed and approved the annual report for 2022 of Hottinger Brüel & Kjær A/S.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position on 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend approval of the annual report at the annual general meeting.

Virum, 22 June 2023

Executive Board:

Steen Pinnerup (Jun 28, 2023 10:34 GMT+2)

Steen Pinnerup
Director

Danica Sucur
Danica Sucur (Jun 27, 2023 18:07 GMT+2)

Danica Sucur
Managing Director

Board of Directors:

BBryson
BBryson (Jun 22, 2023 15:55 GMT+1)

Benjamin John Bryson
Chairman

Kimberly Miller (Jun 26, 2023 19:36 GMT+2)

Kimberly Cooper Miller

Steen Pinnerup (Jun 22, 2023 17:41 GMT+2)

Steen Pinnerup

Ole Thorhauge
(Employee representative)

Martin Meier
Martin Meier
(Employee representative)

Independent auditor’s report

To the shareholder of HOTTINGER BRÜEL & KJÆR A/S

Opinion

We have audited the financial statements of Hottinger Brüel & Kjær A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. 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 Entity’s financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor’s responsibilities for the audit of the financial statements" section of this auditor’s report. We are independent of the Entity 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 responsibility 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 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 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 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 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 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 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 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the management commentary

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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 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.

Copenhagen, 22 June 2023

DELOITTE
Statsautoriseret Revisionspartnerselskab
CVR-No: 33963556

Tim Kjær-Hansen
State-Authorised Public Accountant
Identification No (MNE) mne23295

Management's review

Company details

Hottinger Brüel & Kjær A/S
Teknikerbyen 28, Søllerød
2830 Virum

Telephone:	+45 77 41 20 00
Web-site:	www.hbkworld.com
E-mail:	hrm@hbkworld.com
Registration No:	23 95 84 14
Established:	September 3, 1957
Registered office:	Lyngby-Taarbæk

Executive Board

Steen Pinnerup, director
Danica Sucur, managing director

Board of Directors

Benjamin John Bryson (chairman)
Kimberly Cooper Miller
Steen Pinnerup
Ole Thorhauge (employee representative)
Martin Meier (employee representative)

Auditor

DELOITTE Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Annual general meeting

The Annual General Meeting will be held on 22 June 2023 at the company's address.

Management's review

Financial highlights

DKK million	2022	2021	2020	2019	2018
Key figures					
Revenue	728,2	674,3	778,8	820,9	895,9
Operating profit	16,1	44,8	18,8	61,4	119,0
Profit/loss from financial items	-4,3	-9,1	-2,3	-6,3	-3,9
Profit for the year	**10,6**	**26,3**	**10,9**	**42,5**	**89,6**
Intangible assets	14,1	16,2	18,8	24,3	21,4
Tangible assets	76,1	73,7	94,6	120,1	120,0
Right of use assets	217,7	228,9	-	-	-
Addition tangible assets	38,5	87,1	8,2	8,9	12,6
Current assets	417,1	465,0	379,8	352,8	345,0
Total assets	**725,0**	**783,9**	**493,2**	**497,2**	**486,4**
Share capital	102.0	102,0	102,0	102,0	102,0
Equity	**289,0**	**313,2**	**284,3**	**279,4**	**234,7**
Provisions	10,2	9,3	14,2	18,7	22,7
Non-current liabilities other than provisions	223,2	229,8	26,2	-	-
Current liabilities other than provisions	202,7	231,3	168,5	199,1	229,0
Financial ratios					
Operating margin	2,2%	6,6%	1,4%	7,5%	13,3%
Equity ratio	39,9%	40,0%	57,6%	56,2%	48,3%
Return on equity	3,5%	8,8%	3,9%	16,5%	34,2%
Average number of employees	**453**	**425**	**432**	**439**	**449**

The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios". The financial ratios have been calculated as follows:

Operating margin $$\frac{\text{Operating profit x 100}}{\text{Revenue}}$$

Equity ratio $$\frac{\text{Equity at year end x 100}}{\text{Total equity \& liabilities at year end}}$$

Return on equity $$\frac{\text{Profit/loss for the year x 100}}{\text{Average Equity}}$$

Management's review

Operating review

Principal Hottinger Brüel & Kjær A/S activities

Hottinger Brüel & Kjær A/S develops and markets products and services relating a wide range of products within Test & Measurement segment. The company undertakes the developing, manufacturing and marketing directly from the factory in Virum, Denmark. Sales takes place through a network of affiliated sales companies and distributors.

Hottinger Brüel & Kjær A/S is managed together with other affiliated companies as part of the global Hottinger Brüel & Kjær business unit also known as Spectris Dynamics in the Spectris group. The legal ownership of other affiliated companies lies elsewhere within Spectris plc.

Development in activities and financial Position

Total sales increased from DKK 674,3 million in 2021 to DKK 728,2 million in 2022, corresponding to 8,0%.

Revenue matched last year´s expectation of improved sales performance due to the change in business activities. Profit before tax for the year was DKK 11,8 million compared to DKK 35,7 million in 2021.

Equity amounts to DKK 289,0 million at the end of the year. The company's financial position remains strong with an equity ratio at 39,9%.

The 2022 result is considered to be satisfactory.

Research and development activities

Hottinger Brüel & Kjær A/S provides differentiated sensing, testing, modelling and simulation solutions to help customers accelerate their product innovation.

Hottinger Brüel & Kjær A/S provides its customers with a complete portfolio of solutions across the test and measurement product life cycle, that unite the physical world of sensors, testing and measurement with digital world of simulation, modelling software and analysis. By creating a scalable and open date acquisition hardware, software and simulation ecosystem, product developers can optimize time to market, drive innovation, and enhance their competitive edge in the global marketplace.

Our research and development activities continue to focus on improving our solutions to further enhance our competitiveness in the core market segments. Our research team is involved in several global cooperative research projects with major customers, universities, and other partners.

Management's review

Risk management

General risks

The company is continuously looking for ways to minimise business risks, through several activities, addressing commercial, operational, and financial risks.

As Hottinger Brüel & Kjær A/S is part of Spectris Group our risk management approach is aligned with Group policy and procedures. We recognise that managing risk effectively is a requirement for achieving strategic objectives. In Spectris risk management forms an integral part of the day-to-day operations and the Group has a well-established process which delivers visibility and accountability for risk management across Spectris businesses. This process forms part of the Group´s overall internal control framework.

During 2022, Impero was introduced as new internal control system in Hottinger Brüel & Kjær A/S.

Financial risks

Currency
Hottinger Brüel & Kjær A/S is exposed to currency risks via our exposures in various markets, primarily USD, GBP and JPY denominated risks. Currency risks are mitigated by using a combination of natural hedges and financial instruments. Hottinger Brüel & Kjær A/S uses Forward Exchange Contracts set up and managed by Group Treasury in Spectris Plc. and the exposure for the company is with Spectris plc while market exposure lies with Spectris plc.

Interest
The cash and debt positions of the company are exposed to global interest rate fluctuations. Group cash pooling structures are reflecting market rates.

Credit

Receivables are mainly trade receivables with customers worldwide and other group companies. Hottinger Brüel & Kjær A/S adopts a prudent approach to credit control. Customers are credit rated continuously to mitigate debtor risks.

Management's review

Intellectual capital

All Hottinger Brüel & Kjær A/S employees are important contributors to the business – from developing a Hottinger Brüel & Kjær A/S product to implementing solutions for our customers. We focus on maintaining and developing our employees to ensure business continuity in our product development.

Environmental issues

Hottinger Brüel & Kjær A/S recognizes the principle of sustainable development, and has consequently established an Environmental Management System with the purpose of

- managing all significant environmental aspects of activities, products, and services, and thereby controlling the environmental impact from our activities and preventing pollution
- continuously improving the overall environmental performance and encouraging stakeholders to do the same
- creating sustainable value for our customers by helping them solve their sound and vibration challenges

In this manner Hottinger Brüel & Kjær A/S has committed itself to environmental responsibility to satisfy all the legal commitments in addition to the terms of our customers. The company is ISO 14001 accredited.

As Hottinger Brüel & Kjær A/S is a part of Spectris Group we are working on the same environmental agenda https://www.spectris.com/sustainability-at-our-core/ - though we do not have our own version, it is planned from Spectris side to add an equivalent to our hbkworld.com website towards the end of 2023.

Outlook

Management expects a result for 2023 in line or better than 2022. We are expecting a gradual normalization of supply chain conditions and input cost adversities experienced in 2022. The estimates are influenced by the volatile market conditions and geopolitical situation that may further accelerate or decelerate geopolitical head winds.

Management is continuously monitoring the markets and business development to take appropriate measures against any adverse impacts on employees, customers, and financial performance.

Management's review

Corporate social responsibility

With regard to 99a of the Danish Financial Statements Act, Hottinger Brüel & Kjær A/S is acutely aware of our role as a member of society at a local as well as at a global level. Hottinger Brüel & Kjær A/S consequently target efforts to ensure that our business operations and activities are developed in a financially, socially and environmentally responsible manner.

As a member of the Spectris group of companies, whose ultimate parent Spectris plc (www.spectris.com) is listed on the London Stock Exchange, Hottinger Brüel & Kjær A/S follows the Corporate Social Responsibility related principles set out in the Spectris Code of Business Ethics (available for download at: https://www.spectris.com/sustainability/ethics-and-culture).

In order to monitor and reduce the environmental impact of Hottinger Brüel & Kjær's operations, an Environmental Management System has been established. Further information is available at: https://www.bksv.com/en/about/quality-environment/environmental-management.

Hottinger Brüel & Kjær A/S statutory CSR statement is a part of the Spectris sustainability strategy as described in section "Sustainability Report" of the Spectris plc Annual Reports and accounts 2022, pages 20 ff. The report is available for download at: https://www.spectris.com/assets/Uploads/Results-reports-and-presentations/Spectris-AR-2022.pdf. Further information on the groups' Corporate Social Responsibility standards and activities including e.g. Anti-slavery statement is available on the Spectris webpage (see details at: https://www.spectris.com/sustainability).

Goals and policies for the underrepresented gender

In Hottinger Brüel & Kjær A/S members of the Board of Directors and other management levels are chosen solely on the basis of their competences. The Board of Directors also recognizes and promotes the benefits of a diverse management group in respect of experience, culture, education, international background, and gender.

It is the company's policy to attract, develop and maintain the most qualified candidates for all open positions including management positions. Women and men are invited equally to
apply for all relevant positions and take responsibility for their own learning and development.

When recruiting externally for management positions it is a contractual requirement that the agency provides a diverse shortlist of qualified candidates. A similar requirement and procedure is implemented for internal recruitments.
Internal recruiters as well as external agencies are required to track and document their processes to secure diversity in the candidate pool and final selection.

To support the specific diversity target of a more even gender distribution, it is a requirement that the underrepresented gender is represented in the final candidate pool and interview stage.

Management's review

The proportion of the underrepresented gender for the executive level (Board of Directors and Executive Board) was 25% (1 out of 4 members) in 2022. Early 2023 change in management means the ratio is increased to 50%.

Employee representatives are not included in the standard ratio calculation. The company is pleased the target of equal representation has been reached for this level.

Hottinger Brüel & Kjær A/S's objective is to increase the proportion of the underrepresented gender on all management levels. Managers are defined as persons with direct reports and comprise all levels from the executive management to the lowest organizational level. In recent years the development has been as follows:

Year	2018	2019	2020	2021	2022	2023 (target)
Pct.	22%	27%	23%	28%	31%	>30%

The company remains committed to increase its underrepresented gender proportions and is increasing its focus on D&I specifically. The company's target of 30% are provisionally moved to 2023, but pending further recalibration of the impact from Spectris Dynamics' global reorganizing of the company workforce and operating model.

Hottinger Brüel & Kjær A/S statutory underrepresented gender policy is part of the Spectris sustainability strategy as described in section "Diversity & Inclusion" of the Spectris plc Annual Reports and accounts 2022 – also accessible at https://www.spectris.com/sustainability-at-our-core/people/diversity-and-inclusion/

Data Ethics

Hottinger Brüel & Kjær A/S focuses on the physical and digital security to protect information and ensure data privacy. In the light of 99d of the Danish Financial Statements Act and the developments regarding the proposals by the EU Commission for a joint approach on data ethics across the European Union, Hottinger Brüel & Kjær A/S currently progresses in deriving a joint data ethics policy in conjunction with other entities jointly forming the "HBK Platform", which are domiciled in other EU member states.

We have in 2022 set up a HBK Data Ethics Policy and will continue the work with data ethics in accordance with 99d of the Danish Financial Statements Act and new legislation and recommendations going forward.

At Hottinger Brüel & Kjær A/S, we commit to using and processing data in an ethically acceptable way in all aspects of our business.

Data ethics goes beyond compliance with data privacy laws. We comply with all legal requirements but acknowledge and respect that our use of data (both personal data and non-personal data) may create risks for the users that applicable laws do not cover. We manage these risks by adhering to the principles described below.

Management's review

The purpose of this policy is to formalize Hottinger Brüel & Kjær A/S data ethics principles and describe how we wish to use and process data, making it clear to our customers, employees and other stakeholders that we are dedicated to these efforts.

Our data ethics principles

Hottinger Brüel & Kjær A/S data ethics principles derive from our corporate values centered around 'winning right – achieving the right results in the right way'.

We have identified three main principles which, together with Hottinger Brüel & Kjær A/S corporate values, work as Hottinger Brüel & Kjær A/S data ethical compass:

Transparency
Hottinger Brüel & Kjær A/S will provide transparency around the principles of storage, use, and processing of data to our employees, customers, and other stakeholders to ensure their continuing confidence in Hottinger Brüel & Kjær A/S. We ensure that our data ethics principles remain clear, understandable, and easily accessible.

Integrity
Integrity in data use and processing for Hottinger Brüel & Kjær A/S is about prioritizing safety and caretaking of those people whom our solutions and internal processes affect.
Thus, our use and processing of data may never compromise the fundamental rights, freedom and safety of an individual.

Accountability
All data collection involves human decisions. We strive to implement mechanisms to control the context in which data is collected, the systems that are used for data processing, and the methods for ensuring data quality. We acknowledge that data and systems can be misused or used for unintended purposes. We assess and document permissible use of our data and systems and take measures to avoid impermissible use.

Governance
Each year we will account for this policy in accordance with section 99d of the Danish Financial Statements Act.

Branches

The company had a branch in Sweden, responsible for sales in the Swedish market. Figures related to the Swedish branch are included in the annual report. The branch was closed end of 2022. Revenue will be covered by the Danish entity from 2023 and onwards.

Events after the balance sheet date

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

Income statement

DKK'000	Note	2022	2021
Revenue	2	728,175	674,302
Production costs		-285,003	-234,420
Gross profit		443,172	439,882
Other operating income		504	538
Other external costs		-148,146	-141,774
Staff costs	4	-253,672	-257,062
Depreciations and impairments	15	-25,808	3,204
Operating profit		16,050	44,788
Financial income	3	2,910	0
Financial expenses	8	-7,203	-9,086
Profit for the year before tax		11,757	35,702
Tax on profit for the year	9	-1,115	-9,445
Profit for the year	10	**10,642**	**26,257**

Balance sheet

DKK'000	Note	2022	2021
ASSETS			
Fixed assets			
Intangible assets	5		
Software		2,981	3,288
Research & Development assets		11,125	12,931
		14,106	16,219
Property, plant and equipment	6		
Production plant and machinery		10,280	10,559
Fixtures and fittings, tools and equipment		13,952	17,500
Property, plant and equipment under construction		11,257	9,075
Leasehold improvements		40,615	36,548
		76,105	73,682
Right of use assets	7	217,702	228,923
Total fixed assets		307,913	318,824
Current assets			
Inventories			
Raw materials and consumables		83,911	62,122
Goods in progress		19,204	9,669
Finished goods and consumables		56,169	53,023
Asset held for sale	6	0	91,144
		159,284	215,958
Receivables			
Trade receivables		68,678	71,776
Receivables from affiliates		147,271	143,107
Other receivables		26,461	22,431
Prepayments	11	15,411	11,769
		257,821	249,083
Total current assets		417,105	465,041
TOTAL ASSETS		725,018	783,865

Balance sheet

DKK'000	Note	2022	2021
EQUITY AND LIABILITIES			
Equity			
Share capital	12	102,000	102,000
Reserve for development expenditure		8,678	10,086
Fair value reserve		-196	-403
Retained earnings		168,471	181,507
Ordinary dividends proposed		10,000	20,000
Total equity		288,953	313,190
Provisions			
Deferred tax	13	5,796	4,912
Other provisions	14	4,410	4,470
Total provisions		10,206	9,382
Non-current liabilities other than provisions			
Lease liabilities	7	223,155	229,808
Total non-current liabilities other than provisions		223,155	229,808
Current liabilities other than provisions			
Lease liabilities	7	6,575	6,171
Amount owned to affiliates		37,204	32,825
Prepayments from customers		29,545	35,792
Trade payables		70,416	61,303
Other payables		48,755	83,312
Deferred income		10,209	12,082
Total current liabilities other than provisions		202,704	231,485
Total liabilities other than provisions		425,859	461,293
TOTAL EQUITY AND LIABILITIES		725,018	783,865

Accounting Policies	1
Contractual obligations, contingencies etc.	16
Financial instruments	17
Related parties	18
Subsequent events	19

Equity statement

	Contributed capital DKK`000	Reserve for development expenditure DKK`000	Fair value reserve DKK`000	Retained earnings DKK`000	Proposed dividend DKK`000	Total DKK`000
Equity at 1st January	**102,000**	**10,086**	**-403**	**181,507**	**20,000**	**313,190**
Effect of change in accounting policies	-	-	-	-	-	-
Value adjustment of forward exchange contracts	-	-	262	-	-	262
Tax on equity transactions	-	-	-55	-	-	-55
Currency adjustment of branch	-	-	-	-86	-	-86
Dividend paid	-	-	-	-15,000	-20,000	-35,000
Transfer	-	-1,408	-	1,408	-	-
Profit/loss for the year	-	-	-	642	10,000	10,642
Equity end of year	**102,000**	**8,678**	**-196**	**168,471**	**10,000**	**288,953**

The Board of Directors recommends the General Assembly to approve dividends for the fiscal year 2022 of DKK 10 million to be distributed.

Notes

1 Accounting policies

The Annual Report of Hottinger Brüel & Kjær A/S for 2022 has been prepared in accordance with the provisions applying to class C enterprises (large) under the Danish Financial Statements Act. The accounting policies applied to these financial statements are consistent with those applied last year.

Pursuant to Section 86 (4) of the Financial Statements Act, the Company has not prepared a cash flow statement. Further pursuant to Section 96 (3) of the Financial Statement Act, the company has not disclosed fee for auditors appointed at the general meeting.

Change in accounting policies

The annual report has been presented applying accounting policies consistent with last year.

Consolidated financial statements

With reference to Act section 112 of the Danish Financial Statements and to the consolidated financial statements of Spectris Plc, 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 Spectris Plc, the Company has not prepared a cash flow statement.

Significant accounting judgments and estimates

In accounting for lease contracts, various judgments are applied in determining right-of-use assets and lease liabilities. Judgments include assessment of lease periods, utilisation of extension options and applicable discount rates.

Notes

1 Accounting policies (continued)

Recognition and measurement

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

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when value of the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost with deduction of any principal repayments and addition or deduction of the cumulative amortisation of any difference between cost and nominal amount.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the Annual Report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

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 at the date of payment are recognised in the income statement as financial income or expenses.

Receivables and 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 at 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 expenses.

Fixed assets acquired in foreign currencies are translated at the exchange rates at the transaction date.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value.

Notes

1 Accounting policies (continued)

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement.

Income statement

Revenue

Revenue is measured based on the fair value of the consideration specified in a contract with a customer, net of returns and discounts, and excludes amounts collected on behalf of third parties, value added tax and other sales-related taxes. Hottinger Brüel & Kjær A/S recognises revenue when it transfers control of a product or service to a customer.

Revenue from the provision of services, including ongoing support, servicing and maintenance, is recognised in line with the delivery of the service, either at a point in time or, for some ongoing services, over time. Revenue from the sale of goods, where the goods are not required to be installed, is recognised at a point in time when control of the goods has transferred. This may occur, depending on the individual customer terms, when the product is transferred to a freight carrier, or when the customer has received the product.

Simple installations are those which the customer perceives as a separate performance obligation within the overall contract to deliver goods. Revenue is recognised for simple installations separately from the delivery of goods, and only at a point in time when the installation has occurred. Occasionally, the initial contract covers both the supply of goods and ongoing support, servicing and maintenance. For such contracts revenue is allocated across each of the individual components in line with their relative price and value of the performance obligation and each element is accounted for as described above. Payment is normally due at the point that the performance obligation is completed. For some of the segment's business the customer may make partial payment in advance. Such payments are recognised as contract liabilities until the performance obligation has been satisfied. Sales-related warranties associated with the products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications

Revenue is recognised in accordance with the over-time recognition principle following the satisfaction of various milestones as the performance obligation is fulfilled towards the customer.

Notes

1 Accounting policies (continued)

Revenue from the sale of goods for resale and finished goods was recognised in the income statement provided that delivery and transfer of risk to the buyer had taken place before year end and that the income could be reliably measured and was expected to be received. The net revenue from sale of service contracts was recognised in the income statement over the term of the individual contracts.

Construction contracts were recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method). When the income from a construction contract cannot be estimated reliably, revenue was recognized only corresponding to the costs incurred to the extent that it was probable that they would be recovered.

Revenue is measured at fair value net of VAT, taxes and discounts in relation to the sale.

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries.

Other operating income and costs

Other operating income and costs comprise items of a nature secondary to that of the principal activities of the enterprises.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

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.

Notes

1 Accounting policies (continued)

Tax on profit for the year

The parent company Spectris Denmark ApS is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carry forwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible fixed assets

Software

Software is measured at cost less accumulated depreciation and impairment losses. Software is depreciated on a straight-line basis over the expected useful life of 3 to 5 years. Software are written down to the lower of recoverable amount and carrying amount.

Research and development

Self-funded research and development costs are capitalised when they meet certain criteria. These criteria include demonstration of technical feasibility, intent of completing a new asset and generation of probable future economic benefits.

R&D assets are measured at cost less accumulated depreciation and impairment losses and are depreciated on a straight-line basis over the expected useful life of 10 years.

In general 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.

Notes

1 Accounting policies (continued)

Tangible fixed assets

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when 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.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Production plant and Machinery	10 years
Fixtures and fittings, tools and equipment	3-10 years
Land and building leases	20 years

Property, plant, and equipment are written down to the recoverable amount if this is lower than the carrying amount.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other external costs.

Leases

Whether a contract contains a lease is assessed at contract inception. For identified leases, a right-of-use asset and corresponding lease liability are recognised on the lease commencement date.

Upon initial recognition, the right-of-use asset is measured at a cost corresponding to the lease liability recognised, adjusted for any lease prepayments, or directly related costs, including dismantling and restoration costs. The lease liability is measured at the present value of lease payments of the leasing period discounted using the interest rate implicit in the lease contract. In cases where the implicit interest rate cannot be determined, an appropriate incremental borrowing rate is used. In determining the lease period, extension options are only included if it is reasonably certain they will be utilised.

At subsequent measurement, the right-of-use asset is measured less accumulated depreciation and impairment losses and adjusted for any remeasurements of lease liability.

Notes

1 Accounting policies (continued)

Depreciation is carried out following the straight-line method over the lease term or the useful life of the right-of-use asset, whichever is shortest. The lease liability is measured at amortised cost using the effective interest method and adjusted for any remeasurements or modifications made to the contract.

Extension options are only included in the lease term if extension of the lease is reasonably certain.

Right-of-use assets and lease liabilities are not recognized for low value lease assets or leases with a lease term of 12 months or less. These are recognized as an expense on a straight-line basis over the term of the lease. Any service elements separable from the lease contract are also accounted for following the same principle.

Land and building leases normally have a lease term of up to 30 years whereas leases of cars normally have a lease term up to 3 years.

Assets held for sale

Land and buildings held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Impairment of assets

The carrying amount of intangible assets, property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation.

Impairment tests are conducted on 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 expected net cash flows from the use of the asset or the group of assets.

Notes

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with weighted-average method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management.

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses when there is objective evidence that a receivable has been impaired. If there is objective evidence that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount and the present value of the expected cash flows, including the realisable value of any received collateral.

Prepayments

Prepayments comprise costs incurred concerning subsequent fiscal years.

Equity

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

An amount corresponding to development expenditure capitalised as intangible assets is transferred to “reserve for development expenditure” under equity. The reserve is reduced with amortisation of intangible assets and adjusted with a deferred tax rate of 22%.

Corporation tax and deferred tax

The joint taxation system means that the Company’s tax obligation is settled when payment to the administration company (Spectris Denmark ApS) are made.

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.

Notes

1 Accounting policies (continued)

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where different tax rules can be applied to

determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised at the expected value of their utilisation; 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 and jurisdiction.

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. Change in deferred tax as a consequence of changed tax rate is recognised in the income statement.

Other provisions

Provisions comprise anticipated costs related to deferred tax and warranties. 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 an outflow of resources embodying economic benefits to settle the obligation.

Warranties comprise obligations to make good any defects within the warranty period. Provisions for warranties are measured and recognised based on past experience.

Financial liabilities

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

Financial liabilities also include the capitalised residual obligation on finance leases. Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received from customers concerning income in subsequent years.

Notes

DKK'000	2022	2021

2 Revenue

	2022	2021
Domestic	29,754	28,260
Foreign	698,421	646,042
	728,175	674,302

With reference to section 96, 1 of the Danish Financial Statements Act the company does not disclose segment information. The disclosure of details about the company's performance of business areas is considered sensitive market information.

3 Financial income

	2022	2021
Interest income, other	395	0
Exchange rate gain	2,515	0
	2,910	0

4 Staff costs

	2022	2021
Wages and salaries	275,211	277,063
Pensions	18,361	16,567
Social security costs	3,227	3,038
Other staff costs	7,714	3,850
	304,513	300,518
Wages related to the construction of plant and machinery and indirect production overheads on inventories	-50,841	-43,456
	253,672	257,062
Average number of employees	453	425

Notes

DKK'000

The Company has set up a bonus plan for executive employees. The value of the bonus plan is based on earnings in the Hottinger Brüel & Kjær A/S organisation. Further, the Company's Executive Board and a number of key employees are included in the incentive programme with Spectris Plc. in the UK, according to which share options in Spectris Plc. are issued based on the results for the last 3 years and the development in Spectris Plc.'s share price. In the fiscal year, no share options have been exercised by the Executive Board under this programme. In 2021 no share options were exercised. Share options granted in 2022 amount to DKK 956 thousand (2021: DKK 2,209 thousand).

Staff costs comprise remuneration, pension, bonus plan and company car for the Executive Board totaling DKK 5,917 thousand (2021: DKK 7,910 thousand).

5 Intangible assets

	Software	R&D assets	Total
Cost at 1 January 2022	56,676	18,063	74,739
Additions	562	-	562
Disposals	-	-	-
Cost at 31 December 2022	57,238	18,063	75,301
Depreciation and impairment at 1 January 2022	53,388	5,132	58,520
Depreciation and impairment	869	1,806	2,675
Disposals	-	-	-
Depreciation and impairment at 31 December 2022	54,257	6,938	61,195
Carrying amount at 31 December 2022	2,981	11,125	14,106
Depreciation period	3-5 years	10 years	-

The additions of DKK 0,6m mainly consist of two projects; HBK Sales Force project and the ERP system. Projects are vital to the digital journey of HBK and have demonstrated promising outcome. There are no indications for impairment considerations.

Notes

DKK'000

6 Property, plant and equipment

	Production plant and machinery	Fixtures, fittings, tools and equipment	Property, plant and equipment under construction	Leasehold improve-ments	Total
Cost at 1 January 2022	63,076	35,936	9,075	36,967	145,054
Transfers	-	-	-	-	-
Additions	3,217	2,879	26,394	6,033	38,523
Disposals	-	-1,184	-24,212	-	-25,396
Cost at 31 December 2022	66,293	37,631	11,257	43,000	158,181
Depreciation and impair-ment at 1 January 2022	52,517	18,436	-	419	71,372
Transfers	-	-	-	-	-
Depreciation	3,496	6,427	-	1,965	11,888
Disposals	-	-1,184	-	-	-1,184
Depreciation and impair-ment at 31 December 2022	56,013	23,679	-	2,384	82,076
Carrying amount at 31 December 2022	10,280	13,952	11,257	40,616	76,105
Depreciation period	10 years	3-10 years	-	20 years	-

Notes

DKK'000

7 Leases

Right of use assets

	Buildings	Cars	Total Right of use assets
Cost at 1 January 2022	232,628	65	232,693
Additions			
Cost at 31 December 2022	232,628	65	232,693
Depreciation and impairment at 1 January 2022	3,726	44	3,770
Depreciation	11,200	21	11,221
Depreciation and impairment at 31 December 2022	14,926	65	14,991
Carrying amount at 31 December 2022	217,702	0	217,702
Depreciation period	20 years	1-2 years	

Lease Liabilities

	Buildings	Cars	TOTAL
Lease liabilities fall due as follows:			
Within 1 year	6,575	0	6,575
Between < 1 and > 5 years	30,432	0	30,432
More than 5 years	192,723	0	192,723
TOTAL	229,730	0	229,730

Notes

DKK'000	2022	2021
8 Financial expenses		
Interest expenses, group companies	62	1,633
Interest expenses, leases	6,738	3,351
Interest expenses, other	0	156
Exchange rate losses	0	3,532
Other financial costs	403	414
	7,203	9,086

	2022	2021
9 Tax on profit for the year		
Joint taxation contribution	0	12,531
Other current taxes	0	203
Adjustment of tax relating to previous years	-60	-205
Deferred tax for the year	1,175	-3,084
	1,115	9,445
Specification of tax on profit for the year		
Current tax/joint taxation contribution	0	12,734
Deferred tax	1,115	-3,289
	1,115	9,445
Tax recognition		
Tax on profit for the year	1,115	9,445
Tax on equity movements	55	758
	1,170	10,203

	2022	2021
10 Proposed distribution of profit		
Ordinary dividends proposed	10,000	20,000
Retained earnings	642	6,257
	10,642	26,257

HBK HOTTINGER BRÜEL & KJÆR

Notes

DKK'000	2022	2021

11 Prepayments

	2022	2021
Prepaid software-licenses	14,411	10,179
Other	1,000	1,590
	15,411	11,769

12 Share capital

The share capital consists of 102,000 shares of DKK 1,000. All shares have the same voting rights. The share capital is unchanged in the last five financial years.

13 Deferred tax

	2022	2021
Deferred tax at 1 January	4,912	8,201
Adjustment for previous year(s)	-346	0
Adjustment for the year	1,230	-3,289
Deferred tax at 31 December	5,796	4,912

Provision for deferred tax relate to:

	2022	2021
Intangible assets	3,103	3,568
Manufacturing equipment	-1,932	-903
Leasing	-2,646	0
Land and buildings	0	-3,720
Current assets	4,802	7,787
Provisions	3,170	-1,820
Losses carried forward	-701	0
Deferred tax at 31 December	5,796	4,912

14 Other provisions

	2022	2021
Warranty provision at 31 December	4,410	4,470

The warranty provision covers expected costs to be incurred for products already sold and is expected to be used in full within one year.

Notes

DKK'000	2022	2021

15 Depreciation and impairment

	2022	2021
Intangible assets	2,675	4,201
Property, plant, and equipment	11,888	11,425
Reversal of impairment	24	-22,600
Right of use assets	11,221	3,770
	25,808	-3,204

16 Contractual obligations, contingencies etc

Obligations regarding guarantees made for customers amount to DKK 12,908 thousand (2021: DKK 12,722 thousand).

The company participates in the Danish joint taxation group alongside the Danish parent company and other Danish subsidiaries owned by Spectris Plc. The company is jointly but unlimited liable for all claims for Danish company taxes within the Danish joint taxation group.

17 Financial instruments

	2022			2021		
Currency	Period	Con-tract value	(Gain) and loss recognised in equity	Period	Con-tract value	(Gain) and loss recognised in equity
DKK/USD	0–12 months	0	0	0–12 months	50,213	1,514
DKK/JPY	0–12 months	30,380	273	0–12 months	37,759	-216
GBP/DKK	0–12 months	33	-21	0–12 months	33,590	-798
		30,413	252		121,562	500

Notes

18 Related parties

Control

The ultimate parent company of the group:

Spectris plc.
Melbourne House
44-46 Aldwych, London, WC2B 4LL
England

www.spectris.com

Ownership

Principal shareholder:

Spectris Denmark ApS
Teknikerbyen 28, Søllerød
2830 Virum
Denmark

A copy of the consolidated financial statements of Spectris plc. can be obtained from Hottinger Brüel & Kjær A/S, Teknikerbyen 28, Søllerød, 2830 Virum, Denmark.

Hottinger Brüel & Kjær A/S and the principal shareholder are included in the 2022 consolidated financial statements of Spectris plc., who holds a controlling interest.

Transactions with related parties

	Related parties with control DKK'000	Other related parties DKK'000
Intercompany sales	-	350,198
Intercompany cost of goods sold	-	36,497
IT & Management Recharges	-68,051	63,403
Employee & Other Recharge	7,491	1,900
Interest	-288	-
Intercompany receivables - net	30,660	89,625

19 Subsequent events

As mentioned in the Management's Review, the Company continues to monitor business impact considering appropriate measures to mitigate financial risk.