Hoyer Group A/S

Over Hadstenvej 42, DK-8370 Hadsten

Annual Report for 2022

CVR No. 37 62 98 47

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

Henrik Petersen
Chairman of the general meeting

Contents

Management's statement

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

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

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

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

We recommend that the Consolidated Financial Statements and Parent Company Financial Statements be adopted at the Annual General Meeting.

Hadsten, 22 May 2023

Executive Board

Henrik Sørensen CEO	Henrik Petersen CFO

Board of Directors

Søren Østergaard Sørensen Chairman	Michael Pontoppidan Frost Vice chairman	Jan Vestergaard Olsen
Lars Radoor Sørensen	Helene Anna Rasmusson Egebøl	

Independent Auditor's report

To the shareholder of Hoyer Group A/S

Opinion

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

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Hoyer Group A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group´s and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

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

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

Independent Auditor's report

Aarhus C, 22 May 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Kragh
State Authorised Public Accountant
mne26783

Thomas Bernth Jensen
State Authorised Public Accountant
mne47814

Company information

The Company	Hoyer Group A/S Over Hadstenvej 42 DK-8370 Hadsten CVR No: 37 62 98 47 Financial period: 1 January - 31 December Municipality of reg. office: Favrskov
Board of Directors	Søren Østergaard Sørensen, chairman Michael Pontoppidan Frost, vice chairman Jan Vestergaard Olsen Lars Radoor Sørensen Helene Anna Rasmusson Egebøl
Executive board	Henrik Sørensen Henrik Petersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 8000 Aarhus C

Group Chart

Company	Residence	Ownership
Hoyer Group A/S	**Denmark**	
Svend Hoyer A/S	Favrskov, Denmark	100%
Svend Hoyer Power Transmission (Ningbo) Co., Ltd.	Ningbo, China	100%
Ningbo Beilun Hoyer Electrical Machinery Co., Ltd.	Ningbo, China	100%
LAAMA Ejendomme A/S	Favrskov, Denmark	100%
Svend Hoyer AS	Larvik, Norway	100%
Svend Höyer AB	Stockholm, Sweden	100%
Svend Hoyer GmbH	Munich, Germany	100%
Hoyer B.V.	Rotterdam, Holland	100%
Hoyer Inc.	Texas, United States of America	100%
Hoyer Sp. Zoo	Tarnów, Poland	100%

Financial Highlights

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

	Group				
	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	711,322	526,419	462,013	709,385	517,458
Profit/loss of ordinary primary operations	14,194	-23	21,248	66,724	28,102
Adjusted EBITDA *	67,468	20,155	44,152	89,022	46,469
Profit/loss before financial income and expenses	17,022	3,020	27,857	69,801	29,814
Profit/loss of financial income and expenses	3,076	1,046	-5,232	-4,112	-3,552
Profit/loss from discontinuing activities	0	0	41,368	0	0
Net profit/loss	12,187	1,008	57,300	48,451	15,596
Balance sheet					
Balance sheet total	771,877	686,957	561,104	556,943	531,575
Investment in property, plant and equipment	12,280	3,483	6,544	3,975	4,978
Equity	358,531	349,815	343,636	287,444	239,167
Cash flows					
Cash flows from:					
- operating activities	3,995	-75,171	73,300	44,180	-10,516
- investing activities	-20,270	-14,799	95,601	-3,265	-4,036
- financing activities	17,547	94,265	-175,020	-27,237	16,030
Change in cash and cash equivalents for the year	1,272	4,295	-6,119	13,678	1,478
Number of employees	210	182	194	207	175
Ratios					
Solvency ratio	46.4%	50.9%	61.2%	51.6%	45.0%
Return on equity	3.4%	0.3%	18.2%	18.4%	6.7%

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

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

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

Management's review

Key activities

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

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

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

Order intake increased significantly in 2022, growing by over 17% compared to 2021.

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

Revenue has also shown significant growth, increasing by over 36% compared to 2021. The growth has been driven by the order book from previous year, as well as continued order intake strength. Revenue from high efficiency motors (IE3+) has increased 45% in 2022 and the development is expected to continue into 2023, increasing Hoyer's contribution to the green transition.

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

In the past year, Hoyer successfully completed two major projects. Firstly, the inauguration of a new purpose-built facility in Ningbo, China, marked an important milestone. The new site features a new test centre, optimised and efficient workflows, and a safer work environment. Secondly, the Group completed the implementation of a new ERP system, which is set to enhance efficiency and improve inventory management.

The costs for the relocation in China and the ERP implementation have been partially recorded as operating expenses in the income statement. These expenses are non-recurring, and together with the settlement of a legal case, the total non-recurring expenses amount to DKK 36 million. Excluding non-recurring expenses, the adjusted EBITDA for the year amount to DKK 67 million, compared to DKK 16 million in 2021.

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

The income statement of the Group for 2022 shows a net profit of DKK 12 million, and at 31 December 2022 the balance sheet of the Group shows equity of DKK 359 million.

Unusual events

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

Management's review

Expectations for the future

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

Management has budgeted a total revenue of DKK 730 million and an EBITDA of DKK 80 million for 2023. However, due to the strong performance in the beginning of the year, Management expects that Hoyer will exceed these targeted figures for the year.

Operating risks

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

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

Financial risks

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

Foreign exchange risks

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

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

Interest rate risks

Hoyer hedges the interest rate risk by means of the interest policy approved by the Board of Directors.

Credit risks

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

Liquidity risks

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

Group structure as per 31/12-2022

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

Management's review

Statement of ESG

Hoyer Group, being a part of the global manufacturing industry, recognises its social responsibility and environmental impact.

Electric motors account for 30% of the world's electric energy consumption making them a crucial area for sustainable development. By providing more energy efficient motors and drives, Hoyer can assist customers in their efforts to optimise application efficiency, which, in turn reduces industrial emissions.

The Group’s business and market approach is underpinned by values such as trust, reliability, and quality. Through the implementation of comprehensive management systems and procedures that integrate the principles of the UN Global Compact and selected Sustainable Development Goals, the Group aims to influence the organisation and long-term partners towards sustainable practices.

The target is to continuously improve the way the Group works with ESG related areas such as, Protection of Human Rights, Labour Rights and Discrimination, Environmental Responsibility, Work Against Corruption and Health and Safety of Employees.

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

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

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

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

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

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

Uncertainty relating to recognition and measurement

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

Income statement 1 January - 31 December

		Group		Parent company	
	Note	2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Revenue	1	711,322	526,419	0	0
Change in inventories of finished goods, work in progress and goods for resale		24,719	85,375	0	0
Other operating income		2,839	3,043	4,558	3,797
Expenses for raw materials and consumables		-559,795	-478,979	0	0
Other external expenses		-57,092	-38,158	-6,131	-2,926
Gross profit		**121,993**	**97,700**	**-1,573**	**871**
Staff expenses	2	-90,718	-81,935	-6,016	-4,984
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-14,242	-12,745	0	0
Other operating expenses		-11	0	0	0
Profit/loss before financial income and expenses		**17,022**	**3,020**	**-7,589**	**-4,113**
Income from investments in subsidiaries		0	0	19,775	6,129
Financial income		8,759	5,014	425	0
Financial expenses	4	-5,683	-3,968	-1,016	-1,679
Profit/loss before tax		**20,098**	**4,066**	**11,595**	**337**
Tax on profit/loss for the year	5	-7,911	-3,058	592	671
Net profit/loss for the year	6	**12,187**	**1,008**	**12,187**	**1,008**

Balance sheet 31 December

Assets

		Group		Parent company	
	Note	2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Completed development projects		17,598	1,366	0	0
Acquired licenses		122	214	0	0
Goodwill		87,356	93,908	0	0
Development projects in progress		0	9,714	0	0
Intangible assets	7	**105,076**	**105,202**	**0**	**0**
Land and buildings		81,504	83,231	0	0
Other fixtures and fittings, tools and equipment		11,252	9,878	0	0
Leasehold improvements		6,351	0	0	0
Property, plant and equipment	8	**99,107**	**93,109**	**0**	**0**
Investments in subsidiaries	9	0	0	397,518	381,214
Deposits	10	352	346	0	0
Fixed asset investments		**352**	**346**	**397,518**	**381,214**
Fixed assets		**204,535**	**198,657**	**397,518**	**381,214**
Finished goods and goods for resale		228,855	208,295	0	0
Inventories		**228,855**	**208,295**	**0**	**0**
Trade receivables		151,423	99,735	0	0
Receivables from group enterprises		0	0	0	1,507
Other receivables	15	6,264	9,643	3,046	3,046
Receivable from shareholders and Management		156,122	153,309	0	0
Deferred tax asset	12	0	0	195	139
Corporation tax		4,970	2,131	4,970	2,131
Prepayments	11	4,085	836	0	0
Receivables		**322,864**	**265,654**	**8,211**	**6,823**
Cash at bank and in hand		**15,623**	**14,351**	**21**	**39**
Current assets		**567,342**	**488,300**	**8,232**	**6,862**
Assets		**771,877**	**686,957**	**405,750**	**388,076**

Balance sheet 31 December

Liabilities and equity

	Note	Group		Parent company	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Share capital		23,259	23,259	23,259	23,259
Reserve for net revaluation under the equity method		0	0	19,322	3,018
Reserve for hedging transactions		-510	25	0	0
Reserve for exchange rate conversion		859	3,795	0	0
Retained earnings		334,923	322,736	315,950	323,538
Equity		**358,531**	**349,815**	**358,531**	**349,815**
Provision for deferred tax	12	12,070	11,436	0	0
Other provisions	13	1,765	1,100	0	0
Provisions		**13,835**	**12,536**	**0**	**0**
Mortgage loans		28,350	30,482	0	0
Credit institutions		0	386	0	0
Deposits		1,156	1,157	0	0
Other payables		3,074	5,828	0	0
Long-term debt	14	**32,580**	**37,853**	**0**	**0**
Mortgage loans	14	2,072	2,014	0	0
Credit institutions	14	182,241	162,234	0	0
Trade payables		140,320	75,514	240	0
Payables to group enterprises		0	0	29,799	24,483
Corporation tax		6,749	4,306	0	0
Payables to group enterprises relating to corporation tax		0	0	4,433	1,600
Other payables	14, 15	35,549	42,685	12,747	12,178
Short-term debt		**366,931**	**286,753**	**47,219**	**38,261**
Debt		**399,511**	**324,606**	**47,219**	**38,261**
Liabilities and equity		**771,877**	**686,957**	**405,750**	**388,076**

Balance sheet 31 December

Statement of changes in equity

Group

	Share capital	Reserve for hedging transactions	Reserve for exchange rate conversion	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	23,259	25	3,795	322,736	349,815
Exchange adjustments	0	0	-2,936	0	-2,936
Fair value adjustment of hedging instruments, end of year	0	-686	0	0	-686
Tax on adjustment of hedging instruments for the year	0	151	0	0	151
Net profit/loss for the year	0	0	0	12,187	12,187
Equity at 31 December	**23,259**	**-510**	**859**	**334,923**	**358,531**

Parent company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	23,259	3,018	323,538	349,815
Exchange adjustments	0	-2,936	0	-2,936
Other equity movements	0	-535	0	-535
Net profit/loss for the year	0	19,775	-7,588	12,187
Equity at 31 December	**23,259**	**19,322**	**315,950**	**358,531**

Cash flow statement 1 January - 31 December

	Note	Group 2022	Group 2021
		TDKK	TDKK
Result of the year		12,187	1,008
Adjustments	16	15,605	19,862
Change in working capital	17	-16,538	-74,352
Cash flow from operations before financial items		**11,254**	**-53,482**
Financial income		5,946	2,362
Financial expenses		-5,683	-3,968
Cash flows from ordinary activities		**11,517**	**-55,088**
Corporation tax paid		-7,522	-20,083
Cash flows from operating activities		**3,995**	**-75,171**
Purchase of intangible assets		-7,989	-11,316
Purchase of property, plant and equipment		-12,281	-3,483
Cash flows from investing activities		**-20,270**	**-14,799**
Repayment of mortgage loans		-2,074	-2,087
Repayment of other long-term debt		0	-78
Raising of loans from credit institutions		19,621	96,430
Cash flows from financing activities		**17,547**	**94,265**
Change in cash and cash equivalents		**1,272**	**4,295**
Cash and cash equivalents at 1 January		14,351	10,056
Cash and cash equivalents at 31 December		**15,623**	**14,351**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		15,623	14,351
Cash and cash equivalents at 31 December		**15,623**	**14,351**

Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK

1. Revenue

Geographical segments				
Europe	409,721	320,098	0	0
Asia	290,219	190,647	0	0
Other	11,382	15,674	0	0
	711,322	**526,419**	**0**	**0**

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

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK

2. Staff Expenses

Wages and salaries	81,511	74,067	5,589	4,581
Pensions	5,540	4,981	412	388
Other social security expenses	3,667	2,887	15	15
	90,718	**81,935**	**6,016**	**4,984**
Including remuneration to the Executive Board and Board of Directors:				
Executive board	4,666	3,634	2,198	1,817
Board of directors	1,350	1,350	1,125	1,125
	6,016	**4,984**	**3,323**	**2,942**
Average number of employees	**210**	**182**	**2**	**2**

Hoyer Group A/S has established an Incentive Programme for the Executive Board and the Board of Directors as well as selected key employees. The participants have purchased shares and warrants. The warrants were priced using Black Scholes Valuation Methodology. Each warrant gives the right to purchase one share at determined terms. The warrants can be exercised when Hoyer is divested or during the period 1 June 2023 - 30 June 2023. The warrant programme contains 1,761,492 outstanding warrants.

Incentive programmes are not recognised in the Financial Statements.

Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
3. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment				
Amortisation of intangible assets	8,115	6,673	0	0
Depreciation of property, plant and equipment	6,127	6,072	0	0
	14,242	**12,745**	**0**	**0**

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
4. Financial expenses				
Interest paid to group enterprises	0	0	1,014	754
Other financial expenses	5,683	3,499	2	480
Exchange adjustments, expenses	0	469	0	445
	5,683	**3,968**	**1,016**	**1,679**

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
5. Income tax expense				
Current tax for the year	7,154	3,667	-536	-532
Deferred tax for the year	634	-553	-56	-139
Adjustment of tax concerning previous years	-28	-13	0	0
	7,760	**3,101**	**-592**	**-671**
thus distributed:				
Income tax expense	7,911	3,058	-592	-671
Tax on equity movements	-151	43	0	0
	7,760	**3,101**	**-592**	**-671**

	Parent company	
	2022	2021
	TDKK	TDKK

6. Profit allocation

	2022 TDKK	2021 TDKK
Reserve for net revaluation under the equity method	19,775	-2,153
Retained earnings	-7,588	3,161
	12,187	**1,008**

7. Intangible fixed assets

Group

	Completed development projects	Acquired licenses	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	1,468	264	131,873	9,714
Additions for the year	575	0	0	7,414
Transfers for the year	17,128	0	0	-17,128
Cost at 31 December	19,171	264	131,873	0
Impairment losses and amortisation at 1 January	102	50	37,965	0
Amortisation for the year	1,471	92	6,552	0
Impairment losses and amortisation at 31 December	1,573	142	44,517	0
Carrying amount at 31 December	**17,598**	**122**	**87,356**	**0**

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

Notes to the Financial Statements

8. Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 January	115,627	35,634	0
Exchange adjustment	64	0	-250
Additions for the year	505	5,050	6,726
Disposals for the year	0	-220	0
Cost at 31 December	116,196	40,464	6,476
Impairment losses and depreciation at 1 January	32,396	25,756	0
Exchange adjustment	0	-34	-7
Depreciation for the year	2,296	3,699	132
Reversal of impairment and depreciation of sold assets	0	-209	0
Impairment losses and depreciation at 31 December	34,692	29,212	125
Carrying amount at 31 December	**81,504**	**11,252**	**6,351**
Including assets under finance leases amounting to	0	1,643	0

Notes to the Financial Statements

	Parent company	
	2022	2021
	TDKK	TDKK

9. Investments in subsidiaries

	2022 TDKK	2021 TDKK
Cost at 1 January	378,196	378,182
Additions for the year	0	14
Cost at 31 December	378,196	378,196
Value adjustments at 1 January	3,018	-8,282
Exchange adjustment	-2,936	5,020
Net profit/loss for the year	27,435	13,789
Other equity movements, net	-535	151
Other adjustments	-7,660	-7,660
Value adjustments at 31 December	19,322	3,018
Carrying amount at 31 December	**397,518**	**381,214**
Positive differences arising on initial measurement of subsidiaries at net asset value	208,210	208,210
Remaining positive difference included in the above carrying amount at 31 December	116,617	124,277

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
Svend Hoyer A/S	Favrskov, Denmark	100%
- Svend Hoyer Power Transmission (Ningbo) Co., Ltd.	Ningbo, China	100%
--- Ningbo Beilun Hoyer Electrical Machinery Co., Ltd.	Ningbo, China	100%
LAAMA Ejendomme A/S	Favrskov, Denmark	100%
Svend Hoyer AS	Larvik, Norway	100%
Svend Höyer AB	Stockholm, Sweden	100%
Svend Hoyer GmbH	Munich, Germany	100%
Hoyer B.V.	Rotterdam, Holland	100%
Hoyer Inc.	Texas, United States of America	100%
Hoyer Sp. Zoo	Tarnów, Poland	100%

Notes to the Financial Statements

10. Other fixed asset investments

Group

	Deposits
	TDKK
Cost at 1 January	346
Exchange adjustment	6
Cost at 31 December	352
Carrying amount at 31 December	**352**

11. Prepayments

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

12. Provision for deferred tax

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Deferred tax liabilities at 1 January	11,436	11,989	-139	0
Amounts recognised in the income statement for the year	634	-553	-56	-139
Deferred tax liabilities at 31 December	**12,070**	**11,436**	**-195**	**-139**

13. Other provisions

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

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Other provisions	1,765	1,100	0	0
	1,765	**1,100**	**0**	**0**

Notes to the Financial Statements

14. Long-term debt

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

The debt falls due for payment as specified below:

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Mortgage loans				
After 5 years	20,007	22,307	0	0
Between 1 and 5 years	8,343	8,175	0	0
Long-term part	28,350	30,482	0	0
Within 1 year	2,072	2,014	0	0
	30,422	**32,496**	**0**	**0**
Credit institutions				
After 5 years	0	0	0	0
Between 1 and 5 years	0	386	0	0
Long-term part	0	386	0	0
Within 1 year	387	387	0	0
Other short-term debt to credit institutions	181,854	161,847	0	0
Short-term part	182,241	162,234	0	0
	182,241	**162,620**	**0**	**0**
Deposits				
After 5 years	1,156	1,157	0	0
Long-term part	1,156	1,157	0	0
Within 1 year	0	0	0	0
Other deposits	0	0	0	0
Short-term part	0	0	0	0
	1,156	**1,157**	**0**	**0**
Other payables				
After 5 years	0	0	0	0
Between 1 and 5 years	3,074	5,828	0	0
Long-term part	3,074	5,828	0	0
Other short-term payables	35,549	42,685	12,747	12,178
	38,623	**48,513**	**12,747**	**12,178**

15. Derivative financial instruments

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

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Other receivables	0	108	0	0
Other payables	654	76	0	0

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

Interest rate swap contracts have been concluded to hedge future interest payments on floating rate loans. The contracts have a term of 1 year. Under the contracts, an interest rate of -0.18 % is exchanged for a fixed rate of interest of 4.98 % on loans with a principal amount of DKK 0.5 million. At the balance sheet date, the fair value of the interest rate swap amounts to TDKK 9, which has resulted in a value adjustment on the equity of TDKK 67.

16. Cash flow statement - Adjustments

	Group	
	2022	2021
	TDKK	TDKK
Financial income	-8,759	-5,014
Financial expenses	5,683	3,968
Depreciation, amortisation and impairment losses, including losses and gains on sales	14,253	12,745
Tax on profit/loss for the year	7,911	3,058
Exchange adjustments	-2,797	4,911
Fair value adjustments of hedging instruments, including tax	-686	194
	15,605	**19,862**

17. Cash flow statement - Change in working capital

	Group 2022 TDKK	Group 2021 TDKK
Change in inventories	-20,560	-85,375
Change in receivables	-51,558	-34,906
Change in other provisions	665	-750
Change in trade payables, etc	54,915	46,679
	-16,538	**-74,352**

18. Contingent assets, liabilities and other financial obligations

	Group 2022 TDKK	Group 2021 TDKK	Parent company 2022 TDKK	Parent company 2021 TDKK
Charges and security				
The following assets have been placed as security with mortgage credit institutes:				
Land and buildings with a carrying amount of	81,504	83,231	0	0
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	8,165	10,151	0	0
Between 1 and 5 years	16,121	23,241	0	0
After 5 years	0	1,304	0	0
	24,286	**34,696**	**0**	**0**

Other contingent liabilities

The Company has provided guarantee for Sydbank's credit facilities with Svend Hoyer A/S and Svend Hoyer GmbH. The credit facilities is maximized to DKK 180 million of which DKK 178.3 million is drawn at 31 December 2022. Further, the company has provided guarantee for Sydbank's credit facilities with LAAMA Ejendomme A/S, Svend Hoyer AS, Svend Höyer AB and Hoyer B.V., of which DKK 0.9 million is drawn at 31 December 2022.

Sydbank has pledged security in the shares of Svend Hoyer A/S for loans and credit facilities with Hoyer Group A/S, Svend Hoyer A/S and Svend Hoyer GmbH. The credit facilities are maximized to DKK 180 million of which DKK 178.3 million is drawn at 31 December 2022.

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

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

19. Related parties

	Basis
Controlling interest	
Xilos Co-Investment No. 1 Separate Limited Partnership Jersey United Kingdom	Ultimate parent company

Transactions

Parent

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

Management fee, income TDKK 4,558 (TDKK 3,797 in 2021)

Financial expenses: TDKK -1,014 (TDKK -754 in 2021)

Notes to the Financial Statements

20. Fee to auditors appointed at the general meeting

	Group	
	2022	2021
	TDKK	TDKK
PricewaterhouseCoopers		
Audit fee	520	473
Tax advisory services	0	5
Non-audit services	737	205
	1,257	**683**
Other auditors		
Audit fee	181	118
Tax advisory services	57	38
	238	**156**

21. Subsequent events

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

22. Accounting policies

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

The accounting policies applied remain unchanged from last year.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2022 are presented in TDKK.

Recognition and measurement

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

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

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

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

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Hoyer Group A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.If currency positions are considered to hedge future cash flows, value adjustments are recognized directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

Derivative financial instruments

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

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

Hedge accounting

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

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

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

Segment information on revenue

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

Income statement

Net sales

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

• delivery has been made before year end;

• a binding sales agreement has been made;

• the sales price has been determined; and

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

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

Expenses for raw materials and consumables

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

Other external expenses

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

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Notes to the Financial Statements

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Income from investments in subsidiaries

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

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

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

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 20 years, determined on the basis of Management's experience with the individual business areas.

The estimated useful life has been determined by taking into consideration the business platform acquired, including a strong brand and reputatation as well as very loyal customers.

Development projects

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

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

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

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

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

Other intangible fixed assets

Software licences are amortised over the period of the agreements, which is 5 years.

Property, plant and equipment

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

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

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

Buildings	30 years
Other fixtures and fittings, tools and equipment	3-6 years
Leasehold improvements	5 years

The residual values of buildings are determined at DKK 16 million.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

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

Investments in subsidiaries

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

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

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

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

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

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

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

The cost of goods for resale, raw materials and consumables equals landed cost.

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

Receivables

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

Prepayments

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

Provisions

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

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

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

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

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

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

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

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

Cash Flow Statement

The cash flow statement shows the Group’s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group’s cash and cash equivalents at the beginning and end of the year.

Notes to the Financial Statements

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

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