Heco International A/S

Hecovej 1, DK-8722 Hedensted

Annual Report for 1 July 2021 - 31 December 2022

CVR No. 37 66 06 12

The Annual Report was presented and adopted at the Annual General Meeting of the company on 29/6 2023

Thomas Kastrup
Chairman of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of Heco International A/S for the financial year 1 July 2021 - 31 December 2022.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2021/22.

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

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

Hedensted, 28 June 2023

Executive Board

Anders Egehus CEO	Henning Høgh COO	Thomas Kastrup CFO

Board of Directors

Jesper Teddy Lok Chairman	Bo Kristensen	Rasmus Hans Jensen
Thomas Synnestvedt Knudsen	Bernd Bertram	

Independent Auditor's report

To the shareholders of Heco International A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company´s operations for the financial year 1 July 2021 - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Heco International A/S for the financial year 1 July 2021 - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (”the Financial Statements”).

Basis for Opinion

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

Statement on Management’s Review

Management is responsible for Management’s Review.

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

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

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

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

Management’s responsibilities for the Financial Statements

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

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

Auditor’s responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company´s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 28 June 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Michael Groth Hansen	Frederik Geer Harvest
State Authorised Public Accountant	State Authorised Public Accountant
mne33228	mne45859

Company information

The Company	Heco International A/S Hecovej 1 DK-8722 Hedensted Telephone: 75892122 CVR No: 37 66 06 12 Financial period: 1 July 2021 - 31 December 2022 Incorporated: 2 December 1971 Municipality of reg. office: Hedensted
Board of Directors	Jesper Teddy Lok, chairman Bo Kristensen Rasmus Hans Jensen Thomas Synnestvedt Knudsen Bernd Bertram
Executive Board	Anders Egehus Henning Høgh Thomas Kastrup
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup

Management's review

Key activities

As in previous years, the Company's main activity has been to manufacture, deliver and sell piston rod stuffing boxes and rings for crosshead diesel engines.

Development in the year

The income statement of the Company for 2021/22 shows a profit of TDKK 10,822, and at 31 December 2022 the balance sheet of the Company shows positive equity of TDKK 55,064.

Income statement 1 July 2021 - 31 December 2022

	Note	2021/22	2020/21
		TDKK 18 months	TDKK 12 months
Gross profit		**28,319**	**29,031**
Staff expenses	1	-9,422	-13,551
Depreciation and impairment losses of property, plant and equipment		-4,918	-4,407
Profit/loss before financial income and expenses		**13,979**	**11,073**
Financial income	2	1,030	337
Financial expenses	3	-1,134	-426
Profit/loss before tax		**13,875**	**10,984**
Tax on profit/loss for the year	4	-3,053	-2,415
Net profit/loss for the year		**10,822**	**8,569**

Distribution of profit

	2021/22	2020/21
	TDKK	TDKK
Proposed distribution of profit		
Retained earnings	10,822	8,569
	10,822	**8,569**

Balance sheet 31 December 2022

Assets

	Note	2021/22	2020/21
		TDKK	TDKK
Acquired licenses		94	0
Intangible assets		**94**	**0**
Land and buildings		5,177	6,029
Plant and machinery		5,132	7,189
Other fixtures and fittings, tools and equipment		814	1,106
Property, plant and equipment		**11,123**	**14,324**
Fixed assets		**11,217**	**14,324**
Raw materials and consumables		18,434	19,847
Work in progress		3,845	3,633
Finished goods and goods for resale		8,405	3,597
Inventories		**30,684**	**27,077**
Trade receivables		7,099	7,024
Receivables from group enterprises		51,382	21,196
Other receivables		28	31
Prepayments		173	53
Receivables		**58,682**	**28,304**
Cash at bank and in hand		**140**	**0**
Current assets		**89,506**	**55,381**
Assets		**100,723**	**69,705**

Balance sheet 31 December 2022

Liabilities and equity

	Note	2021/22	2020/21
		TDKK	TDKK
Share capital		3,000	3,000
Retained earnings		52,064	41,242
Equity		**55,064**	**44,242**
Provision for deferred tax		1,548	1,940
Other provisions		195	0
Provisions		**1,743**	**1,940**
Credit institutions		5,152	6,282
Other payables		1,376	1,342
Long-term debt	5	**6,528**	**7,624**
Credit institutions	5	10,352	1,501
Trade payables		6,123	4,097
Payables to group enterprises		16,139	0
Corporation tax		0	7,346
Payables to group enterprises relating to corporation tax		3,445	0
Other payables	5	1,329	2,955
Short-term debt		**37,388**	**15,899**
Debt		**43,916**	**23,523**
Liabilities and equity		**100,723**	**69,705**

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Statement of changes in equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 July	3,000	41,242	44,242
Net profit/loss for the year	0	10,822	10,822
Equity at 31 December	**3,000**	**52,064**	**55,064**

Notes to the Financial Statements

	2021/22	2020/21
	TDKK	TDKK

1. Staff Expenses

	2021/22	2020/21
Wages and salaries	7,278	12,056
Pensions	1,623	1,022
Other social security expenses	476	303
Other staff expenses	45	170
	9,422	**13,551**
Average number of employees	**32**	**34**

	2021/22	2020/21
	TDKK	TDKK

2. Financial income

	2021/22	2020/21
Interest received from group enterprises	1,030	0
Other financial income	0	310
Exchange gains	0	27
	1,030	**337**

	2021/22	2020/21
	TDKK	TDKK

3. Financial expenses

	2021/22	2020/21
Interest paid to group enterprises	210	0
Other financial expenses	393	209
Exchange loss	531	217
	1,134	**426**

	2021/22	2020/21
	TDKK	TDKK

4. Income tax expense

	2021/22	2020/21
Current tax for the year	3,445	2,424
Deferred tax for the year	-392	-9
	3,053	**2,415**

Notes to the Financial Statements

5. 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:

	2021/22	2020/21
	TDKK	TDKK
Credit institutions		
After 5 years	2,001	3,129
Between 1 and 5 years	3,151	3,153
Long-term part	5,152	6,282
Within 1 year	743	773
Other short-term debt to credit institutions	9,609	728
Short-term part	10,352	1,501
	15,504	**7,783**
Other payables		
After 5 years	0	1,054
Between 1 and 5 years	1,376	288
Long-term part	1,376	1,342
Within 1 year	0	278
Other short-term payables	1,329	2,677
	2,705	**4,297**

6. Contingent assets, liabilities and other financial obligations

	2021/22	2020/21
	TDKK	TDKK
Charges and security		
The following assets have been placed as security with mortgage credit institutes:		
Land and buildings with a carrying amount of	5,177	6,029

The Company has also provided security for Group companies debt to credit institutions.

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of P-G&O 2021 A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

7. Related parties and disclosure of consolidated financial statements

Consolidated Financial Statements

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

Name	Place of registered office
P-G&O 2021 A/S	Copenhagen
G&O Holding 2021 A/S	Allerød

Notes to the Financial Statements

8. Accounting policies

The Annual Report of Heco International A/S for 2021/22 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021/22 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.

Translation policies

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

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised 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.

Income statement

Net sales

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Expenses for raw materials and consumables

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

Notes to the Financial Statements

Other external expenses

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

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

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 all Danish group enterprises. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet

Intangible fixed assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding year.

Property, plant and equipment

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

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

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

Notes to the Financial Statements

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	5-25 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-10 years

Depreciation period and residual value are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

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 with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

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.

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.

Notes to the Financial Statements

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 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.

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