



Dedert International A/S

Borupvang 3
2750 Ballerup

CVR no. 18 63 17 76

Annual report 2022

The annual report was presented and approved at the
Company's annual general meeting

On 28 June 2023

Torben von Lowzow
chairman of the annual general meeting



Dedert International A/S
Annual report 2022
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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 of Dedert International A/S for the financial year 1 January – 31 December 2022.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Group's and the Parent 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 Group's and the Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Ballerup, 30 May 2023
Executive Board:

Guy R. Lonergan

Colin William Crankshaw

Stephen Christopher
Harrison

Board of Directors:

Torben von Lowzow
Chairman

Kenneth Ajslev

Thomas W. Dedert

Guy R. Lonergan



Independent auditor's report

To the shareholders of Dedert International A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Dedert International A/S for the financial year 1 January – 31 December 2022 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Group's and the Parent Company's operations for the financial year 1 January – 31 December 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 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 consolidated financial statements and the parent company 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.

Management's responsibility for the consolidated financial statements and the parent company 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 that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.



Independent auditor's report

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these consolidated financial statements and parent company 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 consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 30 May 2023

KPMG

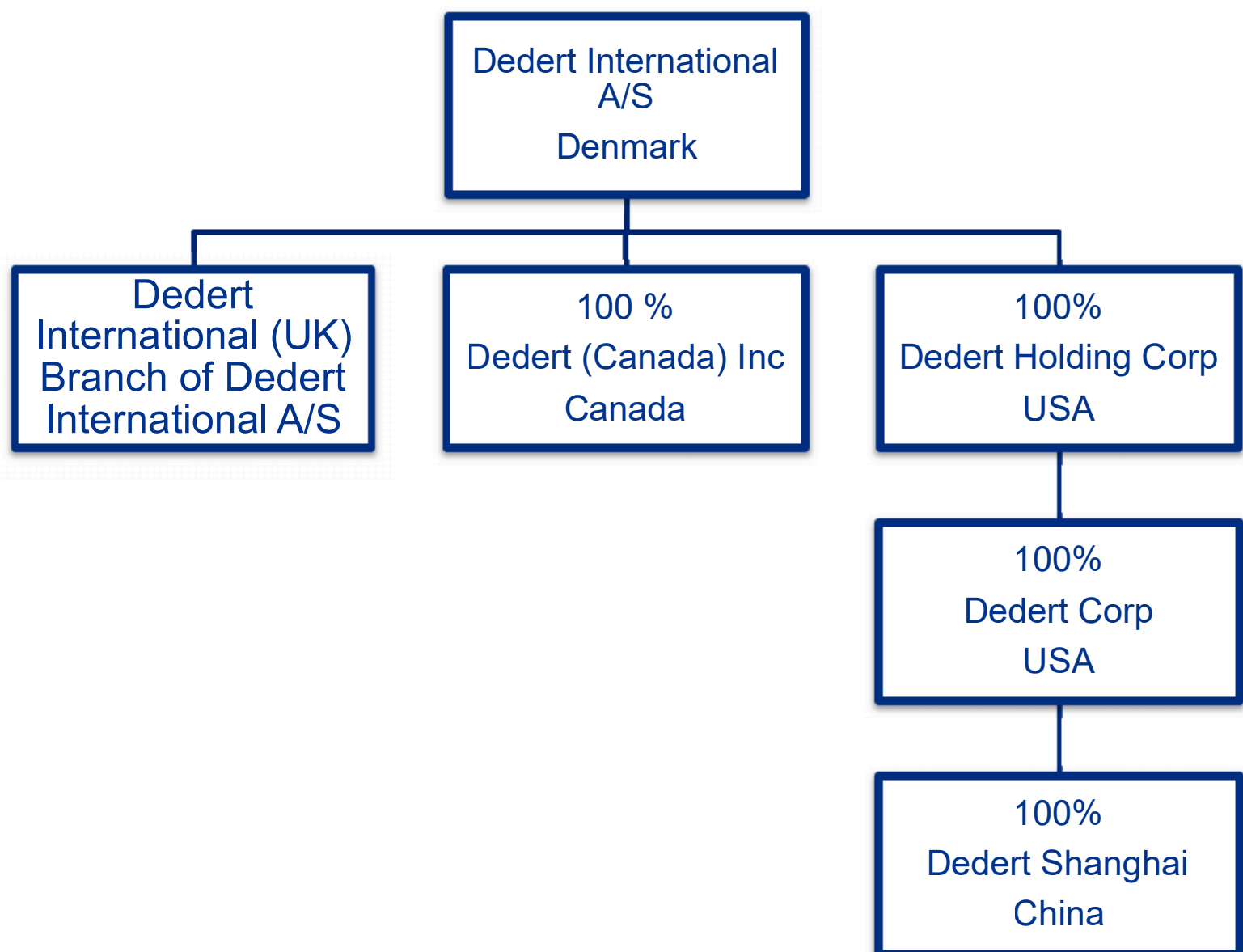
Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Martin Eiler
State Authorised
Public Accountant
mne32271

Management's review

Group chart



Management's review

Financial highlights for the Group

DKK'000	2022	2021	2020	2019	2018
Revenue	528,398	458,453	353,419	437,780	334,996
Gross profit	145,205	114,170	81,057	102,412	65,486
EBITDA	44,113	32,973	10,201	26,287	4,720
Loss from financial income and expenses	-5,772	-3,569	-2,550	-3,205	-3,656
Profit/loss for the year	17,383	12,781	-2,919	4,403	-6,340
Total assets	368,829	339,934	225,908	337,123	255,599
Equity	62,869	39,558	25,092	41,286	36,248
Gross margin	27.5%	24.9%	22.9%	23.4%	19.5%
Return on equity	33.9%	39.5%	Neg.	10.7%	Neg.
Solvency ratio	17.4%	11.6%	11.1%	12.2%	14.2%
Average number of full-time employees	99	92	84	83	78

The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Return on equity	$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

Principal activities

The Company's main activities are the design and sales of drying and evaporation systems to customers worldwide.

Development in activities and financial position

Net result for the year amounted to a profit of DKK 17,383 thousand (2021: DKK 12,781 thousand).

Dedert's operational results for 2022 were in line with expectations showing a growth in both revenue and profit margin. The results are satisfying especially given the very unusual business environment during 2022 with both the supply chain challenges and the war in Ukraine.

The group companies achieved a strong order intake in 2022.

Equity amounted to DKK 62,869 thousand as at 31 December 2022 (31 December 2021: 39,558 thousand).

Outlook

The Company expects a 10-20% growth in revenue and an improved profit margin in 2023.

Financial instruments

The Company's risk exposure

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

Intellectual capital

It is the Company's goal to maintain and consolidate the position as one of the leading suppliers of drying and evaporation equipment in niche markets, in particular food and food-related products and to a lesser extend chemical products.

Management's review

Operating review

Research and development activities

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

Data Ethics Policy

Dedert is committed to the protection of privacy and to follow the ten data ethical values developed by the Danish Data Ethics Council:

1. Welfare - Data processing must be done with respect for and consideration for social conditions, society, and democracy
2. Dignity - A person's dignity is given priority over commercial interests.
3. Privacy - Processing of data must be done with respect for privacy and under the protection of personal information.
4. Self-determination - Individuals must maintain as much control as possible over their data.
5. Equality - Processing of data must not discriminate on the basis of ethnicity, sexuality, gender, socio-economic background, political opinions, religion, trade union membership, genetic data, biometric data, disability or other health-related data
6. Freedom - Data processing must be done with respect for fundamental freedoms in a democratic society.
7. Legal certainty - Processing of data must be done with respect for basic guarantees of legal certainty and the level of legal certainty in society.
8. Transparency - There must be access to insight into own data and information about the processing of data, the purpose, function, security, and limitations of the data processing.
9. Security - Data processing must be sufficiently secure, robust, and reliable.
10. Accountability - It must be clear at all levels who is responsible for the consequences for the development and use of data.

The 10 data ethical values provide the foundation for our collection, processing and data usage and will be considered when developing or applying new technology. The policy values must be considered and evaluated at least twice during a development project, first as part of the initial investment decision and secondly when the development has been finished, but before releasing the new technology. When applying new technology, the policy values need to be considered at least once before releasing the technology. The Policy is owned by the CEO of the Ordyhna Group and governed by the CEO of Dedert.

Corporate social responsibility

Corporate Social Responsibility is important for our employees and for our customers. To ensure a continued focus on CSR, our management evaluate every year our existing CSR goals, policies, and our behaviour. The evaluation must clarify if we have any significant CSR risks within our business, but also identify potential improvement opportunities. The evaluation is presented to the board.

The conclusion of the evaluation is, that we do not see any major nor likely risks with regard to the seven CSR topics; environmental, climate, anticorruption, social and staff matters, human rights and gender equality. We do see a challenge to meet our goals for gender equality on time, but we do also see positive progress. Regarding climate, we see some improvement opportunities, which we want to investigate further in order to set firm goals and define relevant action plans.

The details of each of the seven CSR topics are explained below after the general explanation of our business and how it impacts both people and the planet.

Our business is to engineer and deliver dryers, evaporators and filters. While the production of this equipment consume energy, the by far largest impact our business has on the climate and the environment comes from our customer's usage of our equipment in their production.

The Dedert business model is to develop and deliver engineer-to-order production equipment to selected industries. Most equipment is being manufactured by carefully selected sub suppliers and after quality inspection shipped directly to the customers, where we ensure installation and commissioning. Dedert has a testing and assembly site in US.

Environmental impact – After careful consideration of implementing a policy to this area and taking into consideration, that we primarily are an engineering Group with limited environmental impact following the environmental laws imposed upon, we see no need to further implement individual company specific policies.

Climate impact – As an engineering Group with limited climate impact we have historically not had a climate impact policy, but we have in December 2021 decided, that we want to reduce our impact on the climate in the future. Currently we are awaiting the findings and results from a thorough baseline study of the climate impact conducted in our sister company Simateks business, whereafter we plan to make a similar baseline study in Dedert. We believe this baseline study will enable us to set firm targets and action plans for future improvements.

Anticorruption – After careful consideration of implementing a policy to this area and taking into consideration, that we are a Group present in EU, UK, China, Canada and US, following the anti-corruption laws imposed upon us from EU and US, we see no need to further implement individual company specific policies.

Social and Staff matters – After careful consideration of implementing a policy to this area and taking into consideration that we are a Group present in EU, UK, China, Canada and US, following the labour laws imposed upon us from EU and US, we see no need to further implement individual company specific policies.

Human rights – After careful consideration of implementing a policy to this area and taking into consideration, that we are a Group present in EU, India, Shanghai, Canada and US, following the labour laws imposed upon us from EU and US, we see no need to further implement individual company specific policies.

Gender equality in Management and the Board of Directors

The Group is active within specialized engineering activities in a historically male-dominated industry, making it difficult to find female management candidates with a long industry experience. However, it has become important for the group to attract the best candidates being male or female, and we believe that we can only achieve this by proving that all talents have equal opportunities regardless of gender. Therefore, it is our intention that both women and men should be represented in the Group's Board of Directors and in the Management of each of the subsidiaries. However, Board Members and our Management must have relevant industry know-how to support the governance and management of the Group. We have several very talented young female employees, and it is our long-term objective to grow and develop both male and female managers for the future management of the company.

The Board of Directors consists presently of four males. The target is to have one female board member appointed by the end of 2024. We haven't changed any board members since we set the goal, but we have continued the policy for future replacements of board members, where at least one woman will be considered for election every time.

In Dedert 28% of the managers in second and third level are females, which is an increase from 23% in 2021. The increase is a first result of our internal career development strategies. It is still our aim to have more than 35% female managers by the end of 2025. Given that only 23% of all employees in Dedert are female reaching a goal of 35% of female managers by 2025 is a challenge, but if we are successful, we hope achieving this target will also enable us to attract more female employees in the future. Therefore, we work proactively with both our recruitment and internal career development strategies to attract more female employees and develop more female managers.

Events after the balance sheet date

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

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

DKK'000	Note	Group		Parent Company	
		2022	2021	2022	2021
Revenue		528,398	458,453	112,813	153,043
Other operating income		0	10,291	13,298	4,301
Raw materials, consumables and goods for resale		-337,637	-322,621	-83,012	-124,283
Other external costs		-45,556	-31,953	-16,706	-18,331
Gross profit		145,205	114,170	26,393	14,730
Staff costs	2	-101,092	-81,197	-18,446	-15,857
Depreciation on property, plant and equipment		-3,553	-3,057	-73	-65
Amortisation of intangible assets		-10,840	-9,552	-382	0
Operating profit/loss		29,720	20,364	7,492	-1,192
Profit in subsidiaries after tax		0	0	10,376	13,575
Financial income	3	420	462	5,454	4,824
Financial expenses	4	-6,192	-4,031	-4,557	-3,993
Profit before tax		23,948	16,795	18,765	13,214
Tax on profit for the year	5	-6,565	-4,014	-1,382	-433
Profit for the year	6	17,383	12,781	17,383	12,781

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	Group		Parent Company	
		2022	2021	2022	2021
ASSETS					
Fixed assets					
Intangible assets					
	7				
Completed software projects		3,714	0	3,714	0
Patents and licences		0	0	0	0
Goodwill		31,036	38,950	0	0
Software projects in progress		0	4,096	0	4,096
		<u>34,750</u>	<u>43,046</u>	<u>3,714</u>	<u>4,096</u>
Property, plant and equipment					
	8				
Plant and machinery		1,169	1,466	0	0
Fixtures and fittings, tools and equipment		9,511	9,112	210	138
Leasehold improvements		5,011	5,270	0	0
Assets under construction		3,619	3,070	86	0
		<u>19,310</u>	<u>18,918</u>	<u>296</u>	<u>138</u>
Investments					
Investments in subsidiaries	9	0	0	20,779	14,853
Receivables from group entities	10	0	0	136,424	114,591
Other investments		1,568	4,174	0	0
Non-current receivables		0	2,019	0	0
		<u>1,568</u>	<u>6,193</u>	<u>157,203</u>	<u>129,444</u>
Total fixed assets		<u>55,628</u>	<u>68,157</u>	<u>161,213</u>	<u>133,678</u>
Current assets					
Inventories					
Finished goods and goods for resale		12,183	11,123	0	0
		<u>12,183</u>	<u>11,123</u>	<u>0</u>	<u>0</u>
Receivables					
Trade receivables		117,498	112,801	20,198	22,247
Contract work in progress	11	63,712	71,408	20,447	26,067
Receivables from group entities		53,786	32,984	43,554	23,826
Other receivables		7,009	6,394	1,751	3,116
Corporation tax		3,159	2,013	0	0
Deferred tax assets	12	22,076	22,467	2,559	3,622
Prepaid costs		1,875	782	1,639	661
		<u>269,115</u>	<u>248,849</u>	<u>90,148</u>	<u>79,539</u>
Cash at bank and in hand		<u>31,903</u>	<u>11,805</u>	<u>556</u>	<u>345</u>
Total current assets		<u>313,201</u>	<u>271,777</u>	<u>90,704</u>	<u>79,884</u>
TOTAL ASSETS		<u>368,829</u>	<u>339,934</u>	<u>251,917</u>	<u>213,562</u>

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	Group		Parent Company	
		2022	2021	2022	2021
EQUITY AND LIABILITIES					
Equity					
Contributed capital	13	33,200	33,200	33,200	33,200
Retained earnings		29,669	858	29,669	858
Proposed dividend		0	5,500	0	5,500
Total equity		62,869	39,558	62,869	39,558
Provisions					
Other provisions	14	12,475	23,808	158	502
Total provisions		12,475	23,808	158	502
Liabilities other than provisions					
Non-current liabilities other than provisions					
Payables to group entities	15	107,372	101,042	107,372	101,042
		107,372	101,042	107,372	101,042
Current liabilities other than provisions					
Current portion of non-current liabilities		803	1,263	803	1,263
Contract work in progress	11	66,856	52,176	14,125	17,084
Trade payables		72,304	70,302	22,885	25,784
Corporation tax		4,434	1,327	239	417
Deferred tax	16	41	8	41	8
Payables to group entities		8,544	20,272	40,254	25,435
Deferred income		8,720	16,600	0	1,104
Other payables		24,411	13,578	3,171	1,365
		186,113	175,526	81,518	72,460
Total liabilities other than provisions		293,485	276,568	188,890	173,502
TOTAL EQUITY AND LIABILITIES		368,829	339,934	251,917	213,562
Contractual obligations, contingencies, etc.					
	17				
Related parties	18				

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Group			Total equity
	Contributed capital	Retained earnings	Proposed dividend	
Equity at 1 January 2022	33,200	858	5,500	39,558
Distributed dividends	0	0	-5,500	-5,500
Transferred over the distribution of profit	0	17,383	0	17,383
Exchange rate adjustment, foreign operation	0	419	0	419
Actuarial gains and losses on pension obligations	0	15,398	0	15,398
Tax adjustment of actuarial gains and losses on pension obligations	0	-4,389	0	-4,389
Equity at 31 December 2022	33,200	29,669	0	62,869

DKK'000	Parent Company			Total equity
	Contributed capital	Retained earnings	Proposed dividend	
Equity at 1 January 2022	33,200	858	5,500	39,558
Distributed dividends	0	0	-5,500	-5,500
Transferred over the distribution of loss	0	17,383	0	17,383
Exchange rate adjustment, foreign subsidiary	0	419	0	419
Actuarial gains and losses on pension obligations	0	15,398	0	15,398
Tax adjustment of actuarial gains and losses on pension obligations	0	-4,389	0	-4,389
Equity at 31 December 2022	33,200	29,669	0	62,869

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Dedert International A/S for 2022 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Dedert International A/S, and subsidiaries in which Dedert International A/S directly or indirectly holds more than 50% of the votes or in some other way exercises control over. Entities in which the Group holds 20% or more of the votes and exercises significant influence but not control are considered associates. Entities for which the objective of the holding is to promote the Group's own activities through a permanent affiliation with the other entity and where the equity interest represents at least 20% of equity in the other entity are considered participating interests. A group chart is included on page 6.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

Equity investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets and liabilities at the date of acquisition.

Fee to auditors note

Pursuant to section 96(3) of the Danish Financial Statements Act, the financial statements do not include a note regarding fee to auditors, as it is included in the consolidated financial statements of Ordyhna Holding A/S.

Cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, the financial statements do not include a cash flow statement, as it is included in the consolidated financial statements of Ordyhna Holding A/S.

Foreign currency translation

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

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

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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

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

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

Income statement

Revenue

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

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

Other operating income

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

Raw materials, consumables and goods for resale

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

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

Also, provision for losses on construction contracts is included.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other external costs

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

Staff costs

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

Income from equity investments in subsidiaries

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

Financial income and expenses

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

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

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

Tax on profit/loss for the year

The Parent Company is comprised by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Intangible assets

Development projects

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well as development costs. Other development costs are recognised in the income statement as incurred.

Development costs recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Upon completion of development work, development costs are amortised on a straight-line basis over the estimated useful lives. The amortisation period is usually five to ten years.

Patents, licences and trademarks

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period, however, not exceeding five years.

Software

Software is measured at cost less accumulated amortization and impairment losses. Software is amortized over the expected useful lifetime, although not exceeding 3 years.

Goodwill

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

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

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Notes

1 Accounting policies (continued)

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub suppliers, and wages and salaries. The cost of financial leased assets is the lowest fair value of the asset and the present value of the future leases. Financial leased assets are handled like the Group's other property, plant and equipment.

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

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

Plant and machinery	4-10 years
Fixtures and fittings, tools and equipment	2-10 years
Leasehold improvements	10-20 years

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

Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When the net present value is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other fixed assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Equity investments in subsidiaries

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

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

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

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

Impairment of fixed assets

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

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

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

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

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the weighted-average cost method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as indirect production costs. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

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

Construction contracts

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

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

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

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

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Prepayments

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

Securities and equity investments

Other securities and equity investments included in investments comprise unlisted shares that Management considers investment securities. The equity investments are measured at cost.

Other securities and equity investments recognised as current assets comprise listed securities measured at fair value at the balance sheet date, corresponding to market value.

Cash and cash equivalents

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

Equity

Dividends

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

Corporation tax and deferred tax

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

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

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

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

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Provisions

Pension obligations

Pension obligations are the net liabilities of defined benefit obligations and plan assets. The defined benefit obligations are measured at the present value of expected future payments to be made in respect of services provided by employees up to the balance sheet date. Plan assets are measured at fair value. Actuarial gains and losses are recognised in other comprehensive income.

Warranties and projects

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

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

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

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

Liabilities other than provisions

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

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

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2 Staff costs

DKK'000	Group		Parent Company	
	2022	2021	2022	2021
Wages and salaries	81,364	66,528	15,235	13,704
Pensions	5,558	3,523	968	853
Other social security costs	14,170	11,146	2,243	1,300
	<u>101,092</u>	<u>81,197</u>	<u>18,446</u>	<u>15,857</u>
Average number of full-time employees	<u>99</u>	<u>92</u>	<u>22</u>	<u>21</u>

In addition to the staff costs recognised, the Company has used consultants.

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

Board of Directors and the Executive Board of the Group and the Parent have received remuneration through management fee of total DKK 3,561 thousand (2021: DKK 2,941 thousand).

DKK'000	Group		Parent Company	
	2022	2021	2022	2021
3 Financial income				
Interest income from group entities	404	300	5,454	4,824
Other financial income	0	15	0	0
Exchange rate adjustments	16	147	0	0
	<u>420</u>	<u>462</u>	<u>5,454</u>	<u>4,824</u>
4 Financial expenses				
Interest expense, group entities	3,273	2,908	3,273	2,908
Other financial expenses	249	102	249	97
Exchange rate adjustment	2,670	1,021	1,035	988
	<u>6,192</u>	<u>4,031</u>	<u>4,557</u>	<u>3,993</u>
5 Tax on profit for the year				
Current tax	9,646	3,627	292	201
Adjustment of deferred tax	-2,828	214	1,090	232
Adjustment relating to prior years	-253	173	0	0
	<u>6,565</u>	<u>4,014</u>	<u>1,382</u>	<u>433</u>

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DKK'000	Group		Parent Company	
	2022	2021	2022	2021
6 Proposed distribution of loss				
Retained earnings	17,383	7,281	17,383	7,281
Proposed dividend	0	5,500	0	5,500
	<u>17,383</u>	<u>12,781</u>	<u>17,383</u>	<u>12,781</u>

7 Intangible assets

DKK'000	Group				
	Completed software projects	Patent and licences	Goodwill	Software projects in progress	Total
Cost at 1 January 2022	0	1,830	97,401	4,096	103,327
Foreign exchange adjustments in foreign entities	0	5	6,099	0	6,104
Additions	0	0	0	0	0
Transfer for the year	4,096	0	0	-4,096	0
Cost at 31 December 2022	<u>4,096</u>	<u>1,835</u>	<u>103,500</u>	<u>0</u>	<u>109,431</u>
Amortisation and impairment losses at 1 January 2022	0	-1,830	-58,451	0	-60,281
Foreign exchange adjustments in foreign entities	0	-5	-3,555	0	-3,560
Amortisation	-382	0	-10,458	0	-10,840
Amortisation and impairment losses at 31 December 2022	<u>-382</u>	<u>-1,835</u>	<u>-72,464</u>	<u>0</u>	<u>-74,681</u>
Carrying amount at 31 December 2022	<u>3,714</u>	<u>0</u>	<u>31,036</u>	<u>0</u>	<u>34,750</u>

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8 Property, plant and equipment

DKK'000	Group				Total
	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improvements	Assets under construction	
Cost at 1 January 2022	6,438	33,220	11,067	3,070	53,795
Foreign exchange adjustments in foreign entities	390	1,946	641	189	3,166
Additions	175	2,091	284	360	2,910
Disposals	-177	0	0	0	-177
Cost at 31 December 2022	6,826	37,257	11,992	3,619	59,694
Depreciation and impairment losses at 1 January 2022	-4,972	-24,108	-5,797	0	-34,877
Foreign exchange adjustments in foreign entities	-298	-1,412	-322	0	-2,032
Depreciation	-465	-2,226	-862	0	-3,553
Depreciation on disposals	78	0	0	0	78
Depreciation and impairment losses at 31 December 2022	-5,657	-27,746	-6,981	0	-40,384
Carrying amount at 31 December 2022	1,169	9,511	5,011	3,619	19,310

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DKK'000	Parent Company	
	2022	2021
9 Investments in subsidiaries		
Cost at 1 January	23,255	23,255
Cost at 31 December	23,255	23,255
Value adjustments at 1 January	-32,252	-44,482
Foreign exchange adjustment	-2,297	-1,496
Actuarial gains and losses on pension obligations	11,009	210
Profit for the year	10,376	13,575
Other adjustments	0	-59
Value adjustments at 31 December	-13,164	-32,252
Carrying amount at 31 December	10,091	-8,997
Negative investment set off against receivable from subsidiary in question	-10,688	-23,850
Recognised as investments	20,779	14,853
	10,091	-8,997

Name/legal form	Registered	Equity interest
	office	
Dedert (Canada) Inc	Canada	100%
Dedert Holding Corp	USA	100%
Dedert Corp	USA	100%
Dedert Shanghai	China	100%

DKK'000	Parent Company	
	2022	2021
10 Receivables from subsidiaries		
Non-current receivable from subsidiary	147,112	138,441
Negative investment set off against receivable from subsidiary	-10,688	-23,850
	136,424	114,591

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DKK'000	Group		Parent Company	
	2022	2021	2022	2021
11 Contract work in progress				
Contract work in progress	999,004	658,987	343,747	318,489
Progress billings	-1,002,148	-639,755	-337,425	-309,506
	<u>-3,144</u>	<u>19,232</u>	<u>6,322</u>	<u>8,983</u>
that can be specified as follows:				
Contract work in progress (assets)	63,712	71,408	20,447	26,067
Contract work in progress (liabilities)	-66,856	-52,176	-14,125	-17,084
	<u>-3,144</u>	<u>19,232</u>	<u>6,322</u>	<u>8,983</u>
12 Deferred tax assets				
Deferred tax assets at 1 January	22,467	21,531	3,622	3,846
Foreign exchange rate adjustment	1,170	1,323	0	0
Adjustments through Income Statement	2,828	-214	-1,063	-224
Adjustments through Equity	-4,389	-173	0	0
	<u>22,076</u>	<u>22,467</u>	<u>2,559</u>	<u>3,622</u>

The Group has deferred tax assets of DKK 25.3 million and the Parent Company has deferred tax assets of DKK 5.1 million. The full deferred tax has not been recognised due to uncertainty regarding the future utilisation.

13 Contributed capital

The contributed capital comprises 33,200,010 shares, split in 27,224,008 A-shares and 5,976,002 B-shares, each having a nominal value of DKK 1 per share. A-shares carry 1 vote. B-shares carry no vote and are without right of representation.

The contributed capital remained unchanged for the last five years.

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DKK'000	Group		Parent Company	
	2022	2021	2022	2021
14 Other provisions				
Warranties	1,868	1,098	119	256
Project specific warranties	39	246	39	246
Pension obligations	10,568	22,464	0	0
Other provisions at 31 December	12,475	23,808	158	502

The pension obligations can be specified as follows:

DKK'000	Group	
	2022	2021
Defined benefit obligation	66,367	93,641
Fair value of plan assets	-55,799	-71,177
Net pension obligations	10,568	22,464

Of provisions, DKK 10,568 thousand (2021: 22,464 thousand) is expected to fall due after more than five years.

15 Non-current liabilities other than provisions

Payables to group entities fall due on 2 January 2024.

DKK'000	Group		Parent Company	
	2022	2021	2022	2021
16 Deferred tax liability				
Deferred tax assets at 1 January	8	0	8	0
Adjustments through Income Statement	33	8	33	8
	41	8	41	8

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17 Contractual obligations, contingencies, etc.

Contingent liabilities

Lease obligations

Lease obligations (operating leases) falling due within five years total DKK 1,423 thousand.

Obligations relating to the lease of office premises amount to DKK 5,733 thousand of which DKK 0 thousand falls due after five years.

Guarantees

The Group has provided delivery and performance guarantees relating to projects. These guarantees may entail a liability which will not be recognised until the facilities have been delivered or put into operation. It is Management's assessment that the Group has met the provided guarantees, and consequently no costs have been recognised in this respect. Bank guarantees of DKK 71 million have been provided in this respect.

Other liabilities

Management has identified non-compliance with VAT regulation regarding disclosure of information and reporting requirements to the authorities. Management has taken remedial steps in order to reduce/eliminate risks. Management assess no risk regarding VAT liabilities, but there could be a risk in regards to administrative penalties. Management is unable reliably to quantify the monetary risk but assess such risk as immaterial for the financial statements as a whole.

Parent Company

The Parent Company has obligations relating to the lease of office premises in the amount of DKK 1,388 thousand and other operating leases of DKK 215 thousand.

The Company has jointly with other group entities provided suretyship for a number of affiliated companies' banking arrangements with Danske Bank. The group balance is positive as at 31 December 2022.

The Parent Company is jointly taxed with other Danish companies in the Ordyhna Group. The companies included in the joint taxation have unlimited, and joint and several liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. At 31 December 2022, the net taxes payable to the Danish tax authorities by the companies included in the joint taxation amounted to DKK 0 thousand. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase. The Group as a whole is not liable to others.

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18 Related party disclosures

Parties exercising control

Ordyhna Holding A/S, Energivej 3, 4180 Sorø.

Ordyhna Holding A/S holds the majority of the contributed capital in the Company. Ordyhna Holding A/S prepares consolidated financial statements in which the entity is included as a subsidiary.

Related party transactions

DKK'000	<u>2022</u>
Group	
Purchase of goods from related parties	2,377
Purchase of services from related parties	1,963
Parent Company	
Sale of services to related parties	13,298
Purchase of goods from related parties	294
Purchase of services from related parties	17,031

Payables to associates and subsidiaries are disclosed in the balance sheet, and interest is disclosed in note 3 and 4.

Transactions with group entities are eliminated in the consolidated financial statements in accordance with Dedert International's accounting policies.