Svanehøj Danmark A/S

Fabriksparken 6
9230 Svenstrup J

CVR no. 25895010

Annual report 2018

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

on May 27 20 19

chairman of the annual general meeting
JENS ANDRESEN

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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 Svanehøj Danmark A/S for the financial year 1 January – 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

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

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

Svenstrup J, 27 May 2019

Executive Board:

Jens Andresen

Board of Directors:

Søren Kringelholt Nielsen Chairman	Jens Andresen	Ole Stybæk
Jens Dam Christensen	Hans Jørgen Larsen	

Independent Auditor's Report

To the Shareholder of Svanehøj Danmark 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 2018, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Svanehøj Danmark A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgment and maintain professional skepticism 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.

Aalborg, 27. Maj 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Rasmus Mellergaard Stenskrog
State Authorised Public Accountant
mne 34161

Management's review

Company details

SVANEHØJ Danmark A/S
Fabriksparken 6
9230 Svenstrup J

Telephone:	+45 96 37 22 00
Fax:	+45 98 38 31 56
E-mail:	Svanehoj@svanehoj.com

CVR no.:	25 89 50 10
Established:	13 November 1969
Registered office:	Aalborg
Financial year:	1 January – 31 December

Board of Directors

Søren Kringelholt Nielsen, Chairman
Jens Andresen
Ole Styrbæk
Jens Dam Christensen
Hans Jørgen Larsen

Executive Board

Jens Andresen

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Skelagervej 1a
9000 Aalborg

Annual general meeting

The annual general meeting will be held on 27 May 2019.

Management's review

Financial highlights

DKK'000	2018	2017	2016	2015	2014
Revenue	178,070	180,433	328,867	527,737	402,792
Gross profit	31,099	37,228	112,925	184,600	137,586
Operating profit	-6,302	-4,450	70,247	128,927	87,947
Profit/loss from financial income and expenses	-1,029	-641	-1,264	-861	-1,619
Profit for the year	-6,102	-4,180	53,531	97,735	66,892
Total assets	139,269	125,381	202,228	286,534	339,237
Investment in property, plant and equipment	324	2,610	2,894	3,547	4,590
Equity	19,309	25,038	83,923	130,447	102,661
Gross margin	17,5%	20,6%	34,4%	35.0%	34.2%
Return on invested capital	-32.2%	-2,7%	53.0%	88.9%	68.9%
Return on equity	-27.5%	-7,7%	49,9%	83.9%	67.5%
Average number of full-time employees	107	106	145	171	147

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

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

Return on invested capital $$\frac{\text{Operating profit x 100}}{\text{Average invested capital}}$$

Invested capital: Operational intangible assets and property, plant and equipment as well as net working capital

Return on equity $$\frac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$$

Management's review

Operating review

Principal activities

The Company designs, constructs, markets, sells and produces pumping systems and related products to the marine and offshore sectors.

The products are mainly sold on export markets. The Company is highly focused on increasing its market penetration within the offshore sector and pumps for feeding the main engine with gas.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date that may influence the evaluation of this annual report.

Development in activities and financial position

Loss for the year amounted to DKK 6.1 million, which is considered unsatisfactory.

The reason for the loss is the low number of new deliveries in 2018 due too market situation. Our market share remains unchanged.

An considerable improvement in result for 2019 is expected based upon the current orderbook. Sales will increase to a level of DKK 230-260 million with an expected level of EBT of DKK 15-25 million.

Intellectual capital

The Company's objective is to supply high-technology products. This activity involves specific requirements in terms of intellectual capital, especially with regard to product development as well as sales and order processing. Recruiting qualified staff has not posed a problem, and in general, employee turnover is low.

Particular risks

Due to its activities abroad, results and equity are affected by the development in exchange rates and interest rates with regard to numerous currencies. It is the Company's policy to hedge against commercial foreign exchange exposure. Hedging takes place by means of forward exchange contracts to cover projected sales and purchases arising from incoming orders. The Company does not enter into forward exchange contracts for speculative purposes.

Management's review

Operating review

Environmental matters

The Company's production of pumps does not materially affect the external environment and takes place in a manner ensuring compliance with current regulatory requirements.

The Company has been certified by Lloyd's Register Quality Assurance for the environmental management standard ISO 14001:2004, the health and safety management standard OHSAS 18001:2007 and the quality management standard ISO 9001:2008.

Research and development activities

The Company has its own R&D department, partly to develop new pumps and partly to optimise and maintain its existing product range on an ongoing basis.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2018	2017
Revenue		178,070	180,433
Production costs	2	-146,971	-143,205
Gross profit		31,099	37,228
Distribution costs	2	-12,620	-15,802
Administrative expenses	2	-24,781	-25,876
Operating profit		-6,302	-4,450
Financial income		139	127
Financial expenses	3	-1,168	-768
Profit before tax		-7,331	-5,091
Tax on profit for the year	4	1,229	911
Profit for the year	5	-6,102	-4,180

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2018	2017
ASSETS			
Fixed assets			
Intangible assets	6		
Acquired patents and licences		548	942
Completed development projects		393	2,806
		941	3,748
Property, plant and equipment	7		
Land and buildings		7,645	9,811
Plant and machinery		3,872	4,516
		11,517	14,327
Total fixed assets		12,458	18,075
Current assets			
Inventories			
Raw materials and consumables		51,852	49,247
Work in progress		25,417	9,316
Finished goods and goods for resale		2,133	153
		79,402	58,716
Receivables			
Trade receivables		28,511	23,422
Receivables from group entities		9,620	5,533
Corporation tax		2,813	973
Other receivables		1,885	1,463
Prepayments	8	201	680
		43,030	32,071
Cash at bank and in hand		4,379	16,519
Total current assets		126,811	107,306
TOTAL ASSETS		139,269	125,381

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2018	2017
EQUITY AND LIABILTIES			
Equity			
Share capital	9	26,250	26,250
Retained earnings		-6,941	-1,212
Total equity		19,309	25,038
Provisions			
Deferred tax	10	268	1,059
Other provisions	11	2,100	491
Total provisions		2,368	1,550
Liabilities other than provisions			
Current liabilities other than provisions			
Prepayments received from customers		16,157	8,482
Trade payables		13,527	9,783
Payables to group entities		72,147	60,658
Other payables		15,761	19,870
Total liabilities other than provisions		117,592	98,793
TOTAL EQUITY AND LIABILITIES		139,269	125,381

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Statement of changes in equity

DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2017	26,250	2,673	55,000	83,923
Distributed dividends	0	0	-55,000	-55,000
Transferred; see the profit appropriation	0	-4,180	0	-4,180
Value adjustments of hedging instruments at year end	0	295	0	295
Equity at 1 January 2018	26,250	-1,212	0	25,038
Transferred; see the profit appropriation	0	-6,102	0	-6,102
Value adjustments of hedging instruments at year end	0	373	0	373
Equity at 31 December 2018	26,250	-6,941	0	19,309

Financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	2018	2017
Loss for the year		-6,102	-4,180
Depreciation and amortisation		5,852	5,747
Other adjustments of non-cash operating items	12	-111	936
Cash from operations before changes in working capital		-361	2,503
Changes in working capital	13	-10,426	900
Cash generated from operations		-10,787	3,403
Interest income		139	127
Interest expense		-1,168	-768
Paid tax		0	-19,651
Cash flows from operating activities		-11,816	-16,889
Acquisition of intangible assets		0	-582
Acquisition of property, plant and equipment	7	-324	-2,028
Cash flows from investing activities		-324	-2,610
Cash flows from financing activities		0	0
Cash flows for the year		-12,140	-19,499
Cash and cash equivalents at the beginning of the year		16,519	36,018
Cash and cash equivalents at year end		4,379	16,519

Financial statements 1 January – 31 December

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1 Accounting policies

The annual report of Svanehøj Danmark A/S for 2018 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act with opt-in options from higher reporting class.

The financial statements was prepared after class C large-sized entity for 2017. The change has not had any impact with regards to recognition and measurement in the financial statements.

The accounting policies used in the preparation of the financial statements are therefore consistent with those of last year.

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.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables, respectively.

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

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Changes in the fair value of derivative financial instruments designated as or qualifying for recognition as a hedge of future transactions are recognised as other receivables or other payables and in equity until the realisation of the hedged transactions. If the future transaction results in the recognition of assets or liabilities, amounts which were previously recognised in equity are transferred to the cost of the assets or liabilities. If the future transaction results in income or costs, amounts which were previously recognised in equity are transferred to the income statement for the period when the hedged item affects the income statement.

For derivative financial instruments not qualifying for treatment as hedging instruments, changes in fair value are recognised in the income statement on an ongoing basis.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, the income may be reliably measured and is expected to be received.

Revenue from the sale of goods where delivery has been postponed upon the buyer's request is recognised as revenue when ownership of the goods has been transferred to the buyer.

Revenue is measured at the fair value of the agreed remuneration excluding VAT and taxes charged on behalf of third parties. All discounts granted are included in revenue.

Production costs

Production costs comprise costs, including depreciation, amortisation, wages and salaries incurred to generate revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases and depreciation of plant.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Distribution costs

Distribution costs comprise costs incurred to distribute goods sold during the year and to conduct sales campaigns, etc., including costs relating to sales staff, advertising, exhibitions and depreciation.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Company, including expenses for administrative staff, management, office premises, office expenses and depreciation.

In addition, write-down for bad debts on receivables are recognised.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Financial income and expenses

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

Tax on profit/loss for the year

Svanehøj Danmark A/S is jointly taxed with the affiliated companies in the group. Current tax is distributed between the jointly taxed Danish companies in proportion to the taxable income of these companies (full absorption with refund for tax losses). The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current corporation 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, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

On initial recognition, intangible assets are recognised at cost.

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 5 years.

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. The software amortisation period is 5 years.

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 operating income or operating costs, respectively.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Property, plant and equipment

Land and buildings and plant and machinery 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.

Interest expense is not included in costs.

The depreciable amount, which is calculated as cost less any projected residual values after the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	25 years
Plant and machinery	3-10 years

Land is not depreciated.

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively. Depreciation is recognised in the income statement as production costs, distributions costs and administrative expenses, respectively.

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.

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.

Inventories

Inventories are measured at cost in accordance with the FIFO 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 and indirect production overheads.

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.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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, usually equalling nominal value less provisions for bad debts.

Prepayments

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

Equity

Dividends

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

Reserve for development costs

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividends, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

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 based on the planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax value of tax loss carry forwards, 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 and equity, respectively.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Provisions

Provisions comprise anticipated costs of warranties. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be 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 on the basis of the Company's experience with warranties. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at a rate reflecting risk and the due date for payment.

Liabilities other than provisions

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

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises accrued costs to finish projects where the risk of the goods has been transferred to the customer.

Financial statements 1 January – 31 December

Notes

2 Staff costs and incentive schemes

DKK'000	2018	2017
Wages and salaries	57,896	55,620
Pensions	8,506	8,440
Other social security costs	1,381	1,380
	67,783	65,440
Total average number of employees	107	106

Staff costs include remuneration of the Executive Board of DKK 1,850 thousand (2017: DKK 2,258 thousand), pensions, DKK 453 thousand (2017: DKK 554 thousand), and remuneration of the Board of Directors, DKK 40 thousand (2017: DKK 40 thousand).

3 Financial expenses

	2018	2017
Interest expense to group entities	962	622
Other interest expense	206	146
	1,168	768

4 Tax on loss for the year

	2018	2017
Current tax for the year	-840	18,727
Deferred tax adjustment for the year	-791	-19,651
Adjustment regarding previous years	402	13
	-1,229	-911

Which is specified as follows:

	2018	2017
Tax on profit for the year	-1,334	-975
Tax on changes in equity	105	64
	-1,229	-911

5 Distribution of loss

	2018	2017
Retained earnings	-6,102	-4,180
	-6,102	-4,180

Financial statements 1 January – 31 December

Notes

6 Intangible assets

DKK'000	Acquired patents and rights	Completed develop-ment projects	Total
Cost at 1 January 2018	9,546	12,065	21,611
Disposals	-89	0	-89
Cost at 31 December 2018	-89	0	-89
Amortisation and impairment losses at 1 January 2018	8,604	9,259	17,863
Amortisation	305	2,413	2,718
Amortisation and impairment losses at 31 December 2018	8,909	11,672	20,581
Carrying amount at 31 December 2018	548	393	941

7 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Total
Cost at 1 January 2018	49,527	49,928	99,455
Additions	0	324	324
Cost at 31 December 2018	49,527	50,252	99,779
Depreciation and impairment losses at 1 January 2018	39,716	45,412	85,128
Depreciation	2,166	968	3,134
Depreciation and impairment losses at 31 December 2018	41,882	46,380	88,262
Carrying amount at 31 December 2018	7,645	3,872	11,517

Financial statements 1 January – 31 December

Notes

8 Prepayments

DKK'000	2018	2017
Advances paid on inventories	0	88
Deposit lease contract	78	78
Prepaid expenses	123	514
	201	680

Prepayments primarily comprise prepayment of costs relating to software licenses.

9 Share capital

The share capital consists of 1 share of DKK 26,250 thousand. All shares rank equally. The share capital has remained unchanged for the last five financial years.

10 Deferred tax

Deferred tax at 1 January	1,059	20,710
Deferred tax adjustment for the year in the income statement	-686	-19,664
Adjustment regarding previous years	0	13
Tax on equity transactions	-105	0
	268	1,059

11 Other provisions

Other provisions includes provisions for warranty commitments amounting to DKK 2,100 thousands (2017: DKK: 491 thousand).

12 Other adjustments

Other financial income	-139
Financial expenses	1,168
Tax on loss for the year	-1,229
Gains on the disposal of fixed assets	89
	-111

Financial statements 1 January – 31 December

Notes

13 Changes in working capital

Change in inventories	-20,686
Change in receivables	-10,521
Change in other payables and trade payables	18,799
Change in provisions	1,609
Fair value adjustments of hedging instruments recognised over equity	373
	-10,426

14 Contractual obligations, contingencies, etc.

Contingent liabilities

The Company is jointly taxed with other Danish companies in the Group. As a wholly-owned subsidiary, together with the other companies included in the join taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. Any subsequent correction of the taxable joint taxation income or withholding taxes might increase the Company's liability.

No other recourse liabilities or contingent liabilities are incumbent on the Company.

Operating lease obligations

The Company has entered into operating leases with a remaining term of 72 months and an average monthly lease payments of DKK 28 thousand, totalling DKK 2,016 thousand.

Bank guarentees

The Company has given bank guarentees for DKK 35 million.

15 Mortgages and collateral

The Company has issued a mortgage registered to the mortgagor of DKK 12,000 thousand secured upon the Company's land and buildings. The carrying amount of the properties held under mortgage amounts DKK 7,645 thousand. The mortgage registered to the mortgagor remains in the Company's possession.

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Notes

16 Events after the balance sheet date

No events have occurred after the end of the financial year with a significant impact on the financial position of the entity.

17 Related party disclosures and ownership

Svanehøj Danmark A/S' related parties comprise the following:

Control

Svanehøj Holding A/S, Fabriksparken 6, 9230 Svenstrup J

Svanehøj Holding A/S holds the contributed capital in the Company.

This financial statements is not included in consolidated financial statements for Svanehøj Holding A/S. The financial statements for Svanehøj Holding for 2019 will include 14 monhts.

The Company has chosen only to disclose related party transaction that have not been carried through on arm's length basis. There have been no such transactions in the financial year.