

Svanehøj Danmark A/S

Fabriksparken 6

9230 Svenstrup J

Business Registration No

25895010

Annual report 2019

The Annual General Meeting adopted the annual report on 30.04.2020

Chairman of the General Meeting

Name: Jens Andresen

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Entity details

Entity

Svanehøj Danmark A/S
Fabriksparken 6
9230 Svenstrup J

Central Business Registration No (CVR): 25895010

Registered in: Aalborg

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

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

Executive Board

Jens Andresen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Svanehøj Danmark A/S for the financial year 01.01.2019 - 31.12.2019.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Svenstrup, 30.04.2020

Executive Board

Jens Andresen

Board of Directors

Søren Kringelholt Nielsen

Hans Jørgen Larsen

Jens Dam Christensen

Jens Andresen

Ole Styrbæk

Independent auditor's report

To the shareholders of Svanehøj Danmark A/S

Opinion

We have audited the financial statements of Svanehøj Danmark A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

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

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 30.04.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Henrik Vedel
State Authorised Public Accountant
Identification No (MNE) mne10052

Jakob Olesen
State Authorised Public Accountant
Identification No (MNE) mne34492

Management commentary

	2019	2018	2017	2016	2015
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	288.643	178.070	180.433	328.867	527.737
Gross profit/loss	68.916	25.247	37.228	112.925	184.600
Operating profit/loss	15.222	(6.302)	(4.450)	70.247	128.927
Net financials	(2.054)	(1.029)	(641)	(1.264)	(861)
Profit/loss for the year	10.265	(6.102)	(4.180)	53.531	97.735
Total assets	154.569	139.269	125.381	202.228	286.534
Investments in property, plant and equipment	2.497	0	2.610	2.894	3.547
Equity	27.202	19.309	25.038	83.923	130.447
Average numbers of employees	136	107	106	145	171
Ratios					
Gross margin (%)	23,9	14,2	20,6	34,3	35,0
Net margin (%)	3,6	(3,4)	(2,3)	16,3	18,5
Return on equity (%)	44,1	(27,5)	(7,7)	49,9	74,9
Equity ratio (%)	17,6	13,9	20,0	41,5	45,5

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary 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.

Development in activities and finances

Profit for the year amounted to DKK 10,265 million, which is considered satisfactory.

Due to the change in ownership and the consequence her of that we needed to set up our own IT infrastructure and other things. There are realised non-recurring cost of DKK 14,234 Million which is included in above Profit.

Outlook

Based on the positive brand momentum, focused sales initiatives, and a strong order book, Svanehøj Danmark expects continued high business activity in 2020. While global investments in the marine and offshore markets remain at a historically low level, Svanehøj Danmark expects a gradual recovery in vessel contracting and offshore upstream activity going forward.

The positive expectations are partly driven by the new IMO marine fuel regulation, as the need to invest in sustainable and environmentally friendly solutions support an increased activity level for Svanehøj Danmark.

While it currently is not possible to estimate the financial impact for Svanehøj Danmark from the COVID-19 outbreak, management expects the pandemic to negatively impact revenue and profit before tax in 2020. Due to COVID-19 management expects a flat revenue and a profit before tax in 2020 in the same level compared to 2019.

Despite COVID-19 Svanehøj Danmark is well-positioned for 2020 based on the company's position as a reliable business partner and leading supplier of high-quality mission-critical pumps and pump solutions for marine and offshore applications.

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.

Intellectual capital resources

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.

Management commentary

Environmental performance

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 DNV-GL for the environmental management standard ISO 14001:2015, the health and safety management standard OHSAS 18001:2007 and the quality management standard ISO 9001:2015.

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.

Group relations

Svanehøj Danmark A/S is a part of Svanehøj Group.

Events after the balance sheet date

It is unclear what effect COVID-19 will have for Svanehøj Danmark, but management expects Svanehøj Danmark to be negatively impacted by COVID-19. Other than COVID-19, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Revenue		288.643	178.070
Production costs	2, 3	<u>(219.727)</u>	<u>(152.823)</u>
Gross profit/loss		68.916	25.247
Distribution costs	2	(21.007)	(12.620)
Administrative expenses	2	<u>(32.687)</u>	<u>(18.929)</u>
Operating profit/loss		15.222	(6.302)
Other financial income	4	0	139
Other financial expenses	5	<u>(2.054)</u>	<u>(1.168)</u>
Profit/loss before tax		13.168	(7.331)
Tax on profit/loss for the year	6	<u>(2.903)</u>	<u>1.229</u>
Profit/loss for the year	7	<u>10.265</u>	<u>(6.102)</u>

Balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Completed development projects		462	393
Intangible assets	8	462	393
Land and buildings		5.498	7.645
Plant and machinery		2.950	3.872
Other fixtures and fittings, tools and equipment		2.272	548
Property, plant and equipment	9	10.720	12.065
Deferred tax	11	235	0
Fixed asset investments	10	235	0
Fixed assets		11.417	12.458
Raw materials and consumables		62.633	51.852
Work in progress		8.811	25.417
Manufactured goods and goods for resale		711	2.133
Inventories		72.155	79.402
Trade receivables		56.535	28.511
Contract work in progress	14	0	0
Receivables from group enterprises		8.143	9.620
Other receivables		4.191	1.885
Income tax receivable		0	2.813
Prepayments	12	1.057	201
Receivables		69.926	43.030
Cash		1.071	4.379
Current assets		143.152	126.811
Assets		154.569	139.269

Balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019</u> <u>DKK'000</u>	<u>2018</u> <u>DKK'000</u>
Contributed capital		26.250	26.250
Reserve for development expenditure		360	0
Retained earnings		592	(6.941)
Equity		<u>27.202</u>	<u>19.309</u>
Deferred tax	11	0	268
Other provisions	13	1.468	2.100
Provisions		<u>1.468</u>	<u>2.368</u>
Bank loans		36.708	0
Prepayments received from customers		35.462	16.157
Contract work in progress	14	9.846	0
Trade payables		29.005	13.527
Payables to group enterprises		0	72.147
Income tax payable		912	0
Other payables		13.966	15.761
Current liabilities other than provisions		<u>125.899</u>	<u>117.592</u>
Liabilities other than provisions		<u>125.899</u>	<u>117.592</u>
Equity and liabilities		<u>154.569</u>	<u>139.269</u>
Events after the balance sheet date	1		
Financial instruments	15		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
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Transactions with related parties	20		
Group relations	21		

Statement of changes in equity for 2019

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	26.250	0	(6.941)	19.309
Fair value adjustments of hedging instruments	0	0	(3.041)	(3.041)
Tax of entries on equity	0	0	669	669
Transfer to reserves	0	360	(360)	0
Profit/loss for the year	0	0	10.265	10.265
Equity end of year	26.250	360	592	27.202

Notes

1. Events after the balance sheet date

It is unclear what effect COVID-19 will have for Svanehøj Danmark, but management expects Svanehøj Danmark to be negatively impacted by COVID-19. Other than COVID-19, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

	2019	2018
	DKK'000	DKK'000
2. Staff costs		
Wages and salaries	73.055	57.896
Pension costs	6.347	8.506
Other social security costs	717	1.381
	80.119	67.783
Average number of employees	136	107

	Remunera- tion of manage- ment 2019 DKK'000	Remunera- tion of manage- ment 2018 DKK'000
Executive Board	0	1.850
Board of Directors	0	40
Total amount for management categories	2.167	0
	2.167	1.890

According to section 98B(3) no.1 of the Danish Financial Statement Act, remuneration to management has been disclosed in total, because if disclosed individually it will lead to an individual's remuneration disclosed.

	2019	2018
	DKK'000	DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	402	2.413
Depreciation on property, plant and equipment	3.842	3.439
	4.244	5.852

Notes

	2019	2018
	DKK'000	DKK'000
4. Other financial income		
Other financial income	0	139
	0	139
	2019	2018
	DKK'000	DKK'000
5. Other financial expenses		
Financial expenses from group enterprises	1.027	962
Other interest expenses	1.027	206
	2.054	1.168
	2019	2018
	DKK'000	DKK'000
6. Tax on profit/loss for the year		
Current tax	2.737	(840)
Change in deferred tax	166	(791)
Adjustment concerning previous years	0	402
	2.903	(1.229)
	2019	2018
	DKK'000	DKK'000
7. Proposed distribution of profit/loss		
Retained earnings	10.265	(6.102)
	10.265	(6.102)

Notes

	Completed develop- ment projects DKK'000
8. Intangible assets	
Cost beginning of year	12.065
Additions	471
Cost end of year	12.536
Amortisation and impairment losses beginning of year	(11.672)
Amortisation for the year	(402)
Amortisation and impairment losses end of year	(12.074)
Carrying amount end of year	462

Completed development projects comprises development etc. of machinery and equipment with all of the Company's business areas. As of 31 December 2019 the carrying amount of completed development projects amounts to DKK 462k. The amortisation period for completed development projects is set to 5 years. Management has not identified any indication of impairment regarding the carrying amount of completed development projects.

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
9. Property, plant and equipment			
Cost beginning of year	49.527	50.252	9.457
Additions	0	0	2.497
Cost end of year	49.527	50.252	11.954
Depreciation and impairment losses beginning of year	(41.882)	(46.380)	(8.909)
Depreciation for the year	(2.147)	(922)	(773)
Depreciation and impairment losses end of year	(44.029)	(47.302)	(9.682)
Carrying amount end of year	5.498	2.950	2.272

Notes

	Deferred tax
	DKK'000
10. Fixed asset investments	
Additions	235
Cost end of year	235
Carrying amount end of year	235

	2019
	DKK'000
11. Deferred tax	
Changes during the year	
Beginning of year	(268)
Recognised in the income statement	(166)
Recognised directly in equity	669
End of year	235

The Company recognises deferred tax assets, where Management assesses that the tax assets may be utilised in the foreseeable future or offset against positive taxable income. The assessment is made annually and is based on budgets and business plans for future years, including planned business initiatives. Key parameters are expected turnover and EBIT development considering expected allocation on future taxable income. Tax assets are related to ordinary and recurring temporary differences.

12. Prepayments

Prepayments includes deposit lease contract and prepaid expenses as insurance and software licenses.

13. Other provisions

Other provisions includes provisions for warranty commitments amounting to DKK 1.468k (2018: 2.100k).

14. Contract work in progress

Contract work in progress is recognised as follows:

	2019
	DKK'000
Contract work in progress	(2.044)
Progress billings regarding work in progress	11.890
	9.846

Notes

15. Financial instruments

For hedging purposes, the Company has entered into financial contracts covering 3-18 months. On the balance sheet date, financial contracts can be broken down into the following principal items:

	Volume '000	Deferred recog- nition in equity before tax 2019 DKK'000
Currency contracts in JPY	184.111	(51)
Currency contracts in USD	8.364	(2.990)
	192.475	(3.041)

	2019 DKK'000	2018 DKK'000
16. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	2.461	2.016

The rental and lease agreements expires in 27 – 53 months.

17. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Svanehøj Group A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

18. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant of DKK 12.000k nominal. The carrying amount of the properties held under mortgage amounts to DKK 5.498k. The registered to mortgagor remains in the Company's possession.

As security for outstanding debts, the Company has provided a floating charge by way of an all-monies mortgage of DKK 25,000k to its banks. The floating charge is secured on operating fixtures and fittings, operating equipment and unsecured claims at a carrying amount of DKK 69,537k.

Notes

19. Related parties with controlling interest

Svanebjerg Group A/S, Svenstrup, owns all shares of the company and therefore have controlling interest.

20. Transactions with related parties

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

21. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Svanebjerg Group A/S, Svenstrup J

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Svanebjerg Group A/S, Svenstrup J

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Accounting policies

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Also, provisions for loss on contract work in progress are recognised under production costs.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses.

Administrative costs

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies.

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

Other financial income

Other financial income comprises, interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed with related intellectual property rights and acquired intellectual property rights.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	25 years
Plant and machinery	3-10 years

Estimated useful lives and residual values are reassessed annually.

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

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

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

Accounting policies

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Accounting policies

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

The company has decided not to include a cash flow statement due to Danish Financial Statements Act §86,4.