

Svanehøj Danmark A/S

Fabriksparken 6
9230 Svenstrup J
CVR No. 25895010

Annual report 2020

The Annual General Meeting adopted the
annual report on 07.05.2021

Ole Styrbæk

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2020	11
Balance sheet at 31.12.2020	12
Statement of changes in equity for 2020	14
Notes	15
Accounting policies	20

Entity details

Entity

Svanehøj Danmark A/S

Fabriksparken 6

9230 Svenstrup J

CVR No.: 25895010

Registered office: Aalborg

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Søren Østergaard Sørensen, chairman

Søren Kringelholt Nielsen

Ole Styrbæk

Lars Foged

Torben Larsen

Executive Board

Søren Kringelholt Nielsen, adm. dir.

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

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 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

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, 19.04.2021

Executive Board

Søren Kringelholt Nielsen
adm. dir.

Board of Directors

Søren Østergaard Sørensen
chairman

Søren Kringelholt Nielsen

Ole Styrbæk

Lars Foged

Torben Larsen

Independent auditor's report

To the shareholder of Svanehøj Danmark A/S

Opinion

We have audited the financial statements of Svanehøj Danmark A/S for the financial year 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 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:

- 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.

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, 19.04.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Henrik Vedel

State Authorised Public Accountant
Identification No (MNE) mne10052

Jakob Olesen

State Authorised Public Accountant
Identification No (MNE) mne34492

Management commentary

Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
Key figures					
Revenue	388,504	288,643	178,070	180,433	328,867
Gross profit/loss	108,369	68,916	25,247	37,228	112,925
Operating profit/loss	55,254	15,222	(6,302)	(4,450)	70,247
Net financials	(470)	(2,054)	(1.029)	(641)	(1,264)
Profit/loss for the year	42,671	10,265	(6,102)	(4,180)	53,531
Total assets	227,096	154,569	139,269	125,381	202,228
Investments in property, plant and equipment	10,198	2,498	324,0	2,610	2,894
Equity	73,171	27,202	19,309	25,038	83,923
Average number of employees	141	136	107	106	145
Ratios					
Gross margin (%)	27.89	23.88	14.18	20.63	34.34
EBIT margin (%)	14,22	5,27	(3,54)	(2,47)	21,36
Net margin (%)	10.98	3.56	(3.43)	(2.32)	16.28
Return on equity (%)	85.02	44.14	(27.52)	(7.67)	49,9
Equity ratio (%)	29.60	17.60	13.90	19.97	41.50

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

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

EBIT margin (%):

$\frac{\text{Operating profit/loss} * 100}{\text{Revenue}}$

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Primary activities

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

These products are mainly sold to export markets. The Company is highly focused on increasing its market penetration in the offshore sector and for gas feed pumps.

Over the course of the year Svanehøj has continued to implement the Towards 2023 Strategy approved in 2019. One major event has been the acquisition of Force Technologies Marine Service Activities. Together with our existing service organization, Svanehøj Group now has the strongest service structure for marine gas tankers and gas fuel systems globally.

Development in activities and finances

Svanehøj Danmark has been negatively impacted by Covid-19, mainly by lockdowns affecting production. The service organization has been impacted by local and global travel restrictions and docking delays. Working under these difficult circumstances, Svanehøj's organization has managed to service its customers and deliver results that achieve growth and profitability in line with pre Covid-19 expectations. A profit for the year of DKK 42.7 million is therefore very satisfactory.

Outlook

Based on the positive brand momentum, focused sales initiatives and a strong order book, Svanehøj Danmark expects business activity in 2021 to continue well. While global investment in the marine and offshore markets remains at an historically low level, Svanehøj Danmark expects a gradual recovery in vessel contracting and offshore upstream activity going forward.

These positive expectations are partly driven by the new IMO marine fuel regulation. This is because the need to invest in sustainable and environmentally friendly solutions will support an increased level of activity for Svanehøj Danmark.

Despite Covid-19, management expects revenue and profit for 2021 to develop positively and a little above 2020.

Based on its position as a reliable business partner and leading supplier of high-quality mission-critical pumps and pump solutions for marine and offshore applications, Svanehøj Danmark is well-positioned for 2021 despite Covid-19.

Particular risks

Due to its activities abroad, results and equity have been affected by exchange rate fluctuations relating to several 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 and sales and order processing. Recruiting qualified staff has not been a problem, and employee turnover has been low in general.

Environmental performance

Svanehøj's DW fuel pump systems, using LNG (Liquid Natural Gas) and ammonia as fuel, supporting progress towards a green transition in the marine sector, as their carbon footprint is significantly lower than that of heavy fuel oil.

DW Cargo pump systems also support efforts to replace coal and oil with gas as the transition fuel over the coming decades.

The Company's production of pumps does not materially affect the external environment and takes place in a manner that ensures 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's products are under continuous development and are adapted to meet the needs and evolution of our customers and markets. A significant portion of our R&D resources is focused on developing products for the ongoing green transition in the marine sector.

Group relations

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

Events after the balance sheet date

No events have occurred following the balance sheet date that would affect the evaluation of this annual report.

Income statement for 2020

	Notes	2020 DKK'000	2019 DKK '000
Revenue		388,504	288,643
Production costs		(280,135)	(219,727)
Gross profit/loss		108,369	68,916
Distribution costs		(23,955)	(21,007)
Administrative expenses		(29,160)	(32,687)
Operating profit/loss		55,254	15,222
Other financial income	3	60	0
Other financial expenses	4	(530)	(2,054)
Profit/loss before tax		54,784	13,168
Tax on profit/loss for the year	5	(12,113)	(2,903)
Profit/loss for the year	6	42,671	10,265

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Completed development projects	8	683	462
Goodwill		10,278	0
Intangible assets	7	10,961	462
Land and buildings		13,796	5,498
Plant and machinery		3,977	2,950
Other fixtures and fittings, tools and equipment		1,453	2,272
Property, plant and equipment	9	19,226	10,720
Deferred tax	11	0	235
Financial assets	10	0	235
Fixed assets		30,187	11,417
Raw materials and consumables		56,501	62,633
Work in progress		33,493	8,811
Manufactured goods and goods for resale		1,452	711
Inventories		91,446	72,155
Trade receivables		51,219	56,535
Receivables from group enterprises		33,715	8,143
Other receivables		6,316	4,191
Prepayments	12	1,611	1,057
Receivables		92,861	69,926
Cash		12,602	1,071
Current assets		196,909	143,152
Assets		227,096	154,569

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital		26,250	26,250
Reserve for fair value adjustments of hedging instruments		257	0
Reserve for development expenditure		532	360
Retained earnings		46,132	592
Equity		73,171	27,202
Deferred tax	11	1,790	0
Other provisions	13	1,604	1,468
Provisions		3,394	1,468
Other payables		8,202	0
Non-current liabilities other than provisions	14	8,202	0
Bank loans		16,221	36,708
Prepayments received from customers		47,521	35,462
Contract work in progress		0	9,846
Trade payables		45,631	29,005
Tax payable		10,086	912
Other payables		22,870	13,966
Current liabilities other than provisions		142,329	125,899
Liabilities other than provisions		150,531	125,899
Equity and liabilities		227,096	154,569
Staff costs	1		
Amortisation, depreciation and impairment losses	2		
Financial instruments	15		
Fair value information	16		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Assets charged and collateral	19		
Related parties with controlling interest	20		
Transactions with related parties	21		
Group relations	22		

Statement of changes in equity for 2020

	Contributed capital DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	26,250	0	360	592	27,202
Value adjustments	0	3,298	0	0	3,298
Transfer to reserves	0	0	264	(264)	0
Dissolution of reserves	0	(3,041)	(92)	3,133	0
Profit/loss for the year	0	0	0	42,671	42,671
Equity end of year	26,250	257	532	46,132	73,171

Notes

1 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	74,810	73,055
Pension costs	10,403	6,347
Other social security costs	495	717
	85,708	80,119
Average number of full-time employees	141	136

	Remuneration of management 2020 DKK'000	Remuneration of management 2019 DKK'000
Executive Board	1,777	0
Board of Directors	541	0
Total amount for management categories	0	2,167
	2,318	2,167

2 Depreciation, amortisation and impairment losses

	2020 DKK'000	2019 DKK'000
Amortisation of intangible assets	127	402
Depreciation of property, plant and equipment	1,285	3,842
	1,412	4,244

3 Other financial income

	2020 DKK'000	2019 DKK'000
Financial income from group enterprises	60	0
	60	0

4 Other financial expenses

	2020 DKK'000	2019 DKK'000
Financial expenses from group enterprises	0	1,027
Other interest expenses	530	1,027
	530	2,054

5 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Current tax	10,087	2,737
Change in deferred tax	2,022	166
Adjustment concerning previous years	4	0
	12,113	2,903

6 Proposed distribution of profit and loss

	2020 DKK'000	2019 DKK'000
Retained earnings	42,671	10,265
	42,671	10,265

7 Intangible assets

	Completed development projects DKK'000	Goodwill DKK'000
Cost beginning of year	12,538	0
Additions	338	10,285
Cost end of year	12,876	10,285
Amortisation and impairment losses beginning of year	(12,073)	0
Amortisation for the year	(120)	(7)
Amortisation and impairment losses end of year	(12,193)	(7)
Carrying amount end of year	683	10,278

8 Development projects

Completed development projects comprises development etc. of machinery and equipment with all of the Company's business areas. As of 31 December 2020 the carrying amount of completed development projects amounts to DKK 683k. 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.

9 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	49,527	50,250	11,954
Additions	8,494	1,555	149
Disposals	0	(3,241)	0
Cost end of year	58,021	48,564	12,103
Depreciation and impairment losses beginning of year	(44,029)	(47,301)	(9,682)
Depreciation for the year	(196)	(121)	(968)
Reversal regarding disposals	0	2,835	0
Depreciation and impairment losses end of year	(44,225)	(44,587)	(10,650)
Carrying amount end of year	13,796	3,977	1,453

10 Financial assets

	Deferred tax DKK'000
Cost beginning of year	235
Cost end of year	235
Reversal regarding disposals	(235)
Impairment losses end of year	(235)
Carrying amount end of year	0

11 Deferred tax

	2020 DKK'000	2019 DKK'000
Changes during the year		
Beginning of year	235	(268)
Recognised in the income statement	(2,022)	(166)
Recognised directly in equity	(3)	669
End of year	(1,790)	235

12 Prepayments

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

13 Other provisions

Other provisions contains provisions for warranty commitments.

14 Non-current liabilities other than provisions

	Due after more than 12 months 2020 DKK'000	Outstanding after 5 years 2020 DKK'000
Other payables	8,202	8,202
	8,202	8,202

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 recognition in equity 2020 DKK'000
Currency contracts in JPY	122.632	257

16 Fair value information

	Financial instruments '000DKK
Fair value end of year	257
Fair value adjustments recognised directly in the fair value reserve under equity	3,298

17 Unrecognised rental and lease commitments

	2020 DKK'000	2019 DKK'000
Liabilities under rental or lease agreements until maturity in total	440	2,461

18 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.

19 Assets charged and collateral

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 mortgaged properties is DKK 13.796k. 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 45,000k to its banks. The floating charge is secured on operating fixtures and fittings, operating equipment and unsecured claims at a carrying amount of DKK 175.851k. Bank guarantee provided for customers of DKK 32.264k.

20 Related parties with controlling interest

Svanehøj Group A/S, Svenstrup, indirectly through Svanehøj Holding A/S, owns all shares of the company and therefore have controlling interest.

21 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.

22 Group relations

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

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

Accounting policies

Reporting class

This annual report has been prepared 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 transaction 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.

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, and 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 expenses

Administrative expenses 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 dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and 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, and tax surcharge under the Danish Tax Prepayment Scheme etc.

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.

The Entity is jointly taxed with Svanehøj Group A/S all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Such useful life has been set at 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

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, and 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
Other fixtures and fittings, tools and equipment	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, including the tax base of tax loss carryforwards, 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.

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, returns, loss on contract work in progress, 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.

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.

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.