

Svanehøj Danmark A/S

Fabriksparken 6
9230 Svenstrup J
CVR No. 25895010

Annual report 2023

The Annual General Meeting adopted the annual report on 28.06.2024

Christina Borin

Chair of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2023	12
Balance sheet at 31.12.2023	13
Statement of changes in equity for 2023	15
Notes	16
Accounting policies	22

Entity details

Entity

Svanebjerg Danmark A/S
Fabriksparken 6
9230 Svenstrup J

Business Registration No.: 25895010
Registered office: Aalborg
Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Søren Kringelholz Nielsen
Ole Styrbæk
Lars Foged
Torben Larsen
Christina Margareta Borin

Executive Board

Søren Kringelholz Nielsen

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 (the Entity) for the financial year 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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, 28.06.2024

Executive Board

Søren Kringelholt Nielsen

Board of Directors

Søren Kringelholt Nielsen

Ole Styrbæk

Lars Foged

Torben Larsen

Christina Margareta Borin

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 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's 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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Aarhus, 28.06.2024

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

	2023	2022	2021	2020	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	674,431	693,645	439,145	388,504	288,643
Gross profit/loss	250,236	252,271	148,771	131,895	95,976
Operating profit/loss	121,102	126,160	59,819	55,254	15,222
Net financials	619	(5,468)	(1,537)	(470)	(2,054)
Profit/loss for the year	99,009	96,129	45,374	42,671	10,265
Total assets	470,665	451,811	370,172	227,095	154,569
Investments in property, plant and equipment	11,614	12,623	7,418	11,521	2,498
Equity	218,552	119,591	70,962	73,171	27,202
Average number of employees	198	198	161	141	136
Ratios					
Gross margin (%)	37.10	36.37	33.88	33.95	33.25
EBIT margin (%)	17.96	18.19	13.62	14.22	5.27
Net margin (%)	14.68	13.86	10.33	10.98	3.56
Return on equity (%)	58.56	100.89	62.96	85.02	44.14
Equity ratio (%)	46.43	26.47	19.17	32.22	17.60

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

Gross margin (%):

Gross profit/loss * 100

Revenue

EBIT margin (%):

Operating profit/loss * 100

Revenue

Net margin (%):

Profit/loss for the year * 100

Revenue

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

Svanehøj Danmark A/S ("Svanehøj", or the "Company") is headquartered in Aalborg, Denmark, and is a part of the Svanehøj Group. Svanehøj designs and manufactures specialized deepwell and submerged pumps for vital applications within fuel, cargo, and offshore, as well as high-end tank measuring systems for LNG and LPG on vessels and land-based terminals. Svanehøj is also a full-scope provider of inspection, service, and calibration of cargo containment systems on tankers. Svanehøj's mission is to help power a better future by offering solutions and services that support a rapid transition to renewable energy in the hard-to-abate sectors. At least 95% of Svanehøj's R&D budget is invested in solutions and products that support the Company's mindset of "Powering a better future".

Firmly placed at the forefront of innovation, Svanehøj is set to benefit from several growth drivers including the green energy transition and the increase in international gas trade. Svanehøj's future-proof fuel pump systems epitomize its cutting-edge technological capabilities and are fully compatible with LNG, bio-LNG, LPG, and power-to-x fuels such as green ammonia, methanol, and hydrogen. Additionally, Svanehøj's cargo pumps for liquified gas are designed for power-to-x fuels and are already used for ammonia and liquid CO₂, making it well positioned for the emerging carbon capture & storage market with orders received both in 2022 and 2023.

Development in activities and finances

In 2023, Svanehøj sustained the strong performance and high activity level seen in 2022. The Company achieved a revenue of DKK 674 million in 2023 against DKK 694 million in 2022, and an EBITDA of DKK 128 million in 2023 against DKK 131 million in 2022.

In 2023, Svanehøj continued its strategic investments in service and aftersales to establish itself as one of the leading full-scope service provider for LNG and LPG tankers. In 2023, Svanehøj acquired Complete Cryogenic Services (CCS) in Tustin, California, a company with over 30 years in the service and overhaul of submerged cargo, spray, and high-pressure pumps for cargo containment systems on LNG tankers.

Profit/loss for the year in relation to expected developments

Going into 2023, Svanehøj anticipated an EBITDA in the range of DKK 120-150 million. This expectation was satisfactorily met. Revenue experienced a slight, unexpected decline due to the shipyards operating close to maximum capacity, which extended order lead times and pushed some forecasted sales into 2024.

Outlook

We believe Svanehøj maintains an attractive long-term growth outlook, largely due to its position as a prime contributor to the green energy transition in the marine industry. This is supported by its class-leading product portfolio and aftermarket business. Furthermore, we believe Svanehøj's strong market position will enable increased access to the emerging Power-To-X and Carbon Capture & Storage markets.

For 2024 Svanehøj expects an EBITDA, in the range of DKK 120-130 million in accordance with the Danish Financial Statements Act and prior to any US GAAP adjustments required as a result of the takeover from ITT Inc. after the balance sheet date.

Particular risks

Due to its global activities, Svanehøj's profit and equity are exposed to exchange rate fluctuations in several currencies. The Company's policy is to limit trading currency to DKK and EUR where possible, and otherwise to hedge against commercial currency exposure. Hedging occurs through natural hedges (offsetting of inflow and outflow in the same currencies) and forward exchange contracts to cover projected sales and purchases from incoming orders. The Company does not enter forward exchange contracts for speculative purposes.

Knowledge resources

Svanehøj's business objective is to develop and supply high-technology products and services for the energy transition. This involves specific requirements regarding intellectual capital of product development, sales, and order processing. In 2023, the overall recruitment and retention of qualified staff was satisfactory, and employee turnover rate was reduced from 18% to 12%. 69 new colleagues joined Svanehøj in 2023.

Environmental performance

Svanehøj encourages stakeholders to review its dedicated 2023 ESG report for a review of environmental, social, and governance performance. The ESG report is available online on the website: <https://www.svanehoj.com/esg/>

Research and development activities

Svanehøj continuously develops and adapts its products and solutions to changing customer and market needs. Significant R&D resources focus on developing durable solutions for the green transition and new innovative test setups. As a part of its ESG strategy, Svanehøj is committed to directing at least 95% of its R&D investments at solutions and products that support the Company's mindset of "Powering a better future."

We are finalizing projects on a submerged fuel pump, piston pumps and high-pressure pump. All for the marine markets.

Group relations

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

On 19 January 2024, Svanehøj Group and all its subsidiaries were acquired by ITT Inc., a multi-national company with over 10,000 employees, headquartered in Stamford, Connecticut.

Statutory report on corporate social responsibility

Svanehøj encourages stakeholders to review its dedicated 2023 ESG report for a review of environmental, social, and governance performance. The ESG report is available online on the website: <https://www.svanehoj.com/esg/>

Statutory report on the underrepresented gender

	2023
Supreme management body	
Total number of members	3
Underrepresented gender (%)	33.00
Target figures (%)	30.00
Year of expected achievement of target figures	2023

The Board of Directors consists of 3 members elected at the general meeting and 2 members elected by the employees. The Company is in line with the legal requirements according to the Danish Financial Statement Act, for the underrepresented gender among the Board of Directors elected at the general meeting.

The target figure for underrepresented gender in the Board of Directors has been achieved.

2023**Other management levels**

Total number of members	7
Underrepresented gender (%)	28.57
Target figures (%)	28.57
Year of expected achievement of target figures	2023

Other management levels consist of 7 members and the Company is in line with legal requirements according to the Danish Financial Statement Act, for the underrepresented gender among the members of other management levels.

The target figure for underrepresented gender in other management levels has been achieved.

Statutory report on data ethics policy

Svanehøj is responsible for and processes the information that customers provide and information collected about them. Customer information is treated with respect for confidentiality and customer privacy.

The corporate policy is a testament to an unwavering commitment to respecting personal information. This commitment extends to Svanehøj's employees, customers, and stakeholders and to ensuring full compliance with the Data Protection Act and the General Data Protection Regulation (GDPR).

Events after the balance sheet date

On 19 January 2024, Svanehøj Group and all its subsidiaries were acquired by ITT Inc. ("ITT"), a multi-national company with over 10,000 employees, headquartered in Stamford, Connecticut. ITT is a leading manufacturer of highly engineered critical components and customized technology solutions for the transportation, industrial, and energy markets. Going forward, Svanehøj will be part of ITT's Industrial Process (IP) business, a global leader in flow focused on highly engineered pumps, valves, and aftermarket services.

Income statement for 2023

		2023	2022
	Notes	DKK'000	DKK '000
Revenue	2	674,431	693,645
Production costs		(424,195)	(441,374)
Gross profit/loss		250,236	252,271
Distribution costs		(56,126)	(58,967)
Administrative expenses	3	(75,446)	(69,101)
Other operating income		2,438	1,957
Operating profit/loss		121,102	126,160
Income from investments in group enterprises		5,165	1,785
Other financial income	6	3,087	79
Other financial expenses	7	(2,468)	(5,547)
Profit/loss before tax		126,886	122,477
Tax on profit/loss for the year	8	(27,877)	(26,348)
Profit/loss for the year	9	99,009	96,129

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Completed development projects	11	20,354	7,583
Acquired intangible assets		960	907
Goodwill		7,237	8,265
Intangible assets	10	28,551	16,755
Land and buildings		17,945	17,282
Plant and machinery		21,843	14,074
Other fixtures and fittings, tools and equipment		2,085	2,285
Property, plant and equipment	12	41,873	33,641
Investments in group enterprises		41,405	1,800
Financial assets	13	41,405	1,800
Fixed assets		111,829	52,196
Raw materials and consumables		68,464	68,213
Work in progress		29,376	89,556
Manufactured goods and goods for resale		6,586	1,552
Prepayments for goods		535	0
Inventories		104,961	159,321
Trade receivables		56,526	42,322
Receivables from group enterprises		136,726	117,503
Other receivables		35,057	4,213
Prepayments	14	2,152	2,034
Receivables		230,461	166,072
Cash		23,414	74,222
Current assets		358,836	399,615
Assets		470,665	451,811

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital		26,250	26,250
Reserve for net revaluation according to the equity method		6,902	1,785
Reserve for development expenditure		15,876	5,915
Retained earnings		139,524	85,641
Proposed dividend		30,000	0
Equity		218,552	119,591
Deferred tax	15	9,056	7,104
Other provisions	16	539	604
Provisions		9,595	7,708
Lease liabilities		2,044	3,030
Other payables		11,546	0
Non-current liabilities other than provisions	17	13,590	3,030
Current portion of non-current liabilities other than provisions	17	854	824
Bank loans		3	2,495
Prepayments received from customers		100,882	135,735
Trade payables		50,096	74,630
Payables to group enterprises		27,101	65,555
Tax payable		25,671	22,666
Other payables	18	24,321	19,577
Current liabilities other than provisions		228,928	321,482
Liabilities other than provisions		242,518	324,512
Equity and liabilities		470,665	451,811
Events after the balance sheet date	1		
Staff costs	4		
Amortisation, depreciation and impairment losses	5		
Unrecognised rental and lease commitments	19		
Contingent liabilities	20		
Assets charged and collateral	21		
Related parties with controlling interest	22		
Transactions with related parties	23		
Group relations	24		

Statement of changes in equity for 2023

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	26,250	1,785	5,915	85,641	0
Exchange rate adjustments	0	(48)	0	0	0
Transfer to reserves	0	5,165	9,961	(15,126)	0
Profit/loss for the year	0	0	0	69,009	30,000
Equity end of year	26,250	6,902	15,876	139,524	30,000

	Total DKK'000
Equity beginning of year	119,591
Exchange rate adjustments	(48)
Transfer to reserves	0
Profit/loss for the year	99,009
Equity end of year	218,552

Notes

1 Events after the balance sheet date

On 19 January 2024, Svanehøj Group and all its subsidiaries were acquired by ITT Inc. ("ITT"), a multi-national company with over 10,000 employees, headquartered in Stamford, Connecticut. ITT is a leading manufacturer of highly engineered critical components and customized technology solutions for the transportation, industrial, and energy markets. Going forward, Svanehøj will be part of ITT's Industrial Process (IP) business, a global leader in flow focused on highly engineered pumps, valves, and aftermarket services.

2 Revenue

	2023 DKK'000	2022 DKK'000
Europe	349,178	316,617
Asia	148,859	111,072
Rest of the world	176,394	265,956
Total revenue by geographical market	674,431	693,645
New build	458,599	538,364
Aftersales	215,832	155,281
Total revenue by activity	674,431	693,645

3 Fees to the auditor appointed by the Annual General Meeting

	2023 DKK'000	2022 DKK'000
Statutory audit services	240	250
Tax services	935	53
Other services	353	200
	1,528	503

4 Staff costs

	2023 DKK'000	2022 DKK'000
Wages and salaries	121,590	120,571
Pension costs	15,786	15,033
Other social security costs	1,327	672
	138,703	136,276
Average number of full-time employees	198	198

	Remuneration of Management 2023 DKK'000	Remuneration of Management 2022 DKK'000
Executive Board	2,955	2,776
Board of Directors	100	325
	3,055	3,101

5 Depreciation, amortisation and impairment losses

	2023 DKK'000	2022 DKK'000
Amortisation of intangible assets	3,964	2,566
Depreciation of property, plant and equipment	3,386	1,862
	7,350	4,428

6 Other financial income

	2023 DKK'000	2022 DKK'000
Financial income from group enterprises	2,615	0
Other interest income	163	79
Exchange rate adjustments	309	0
	3,087	79

7 Other financial expenses

	2023 DKK'000	2022 DKK'000
Other interest expenses	2,468	1,185
Exchange rate adjustments	0	4,362
	2,468	5,547

8 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Current tax	25,671	22,666
Change in deferred tax	1,886	3,682
Adjustment concerning previous years	320	0
	27,877	26,348

9 Proposed distribution of profit and loss

	2023 DKK'000	2022 DKK'000
Ordinary dividend for the financial year	30,000	0
Retained earnings	69,009	96,129
	99,009	96,129

10 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000
Cost beginning of year	20,784	8,659	10,285
Additions	15,349	411	0
Cost end of year	36,133	9,070	10,285
Amortisation and impairment losses beginning of year	(13,201)	(7,752)	(2,020)
Amortisation for the year	(2,578)	(358)	(1,028)
Amortisation and impairment losses end of year	(15,779)	(8,110)	(3,048)
Carrying amount end of year	20,354	960	7,237

11 Development projects

Completed development projects comprise development etc. of machinery and equipment within all of the Company's business areas. As of 31 December 2023, the carrying amount of completed development projects amounts to DKK 20,354 thousand. The amortisation period for completed development projects is set to be 5 years. Management has not identified any indication of impairment regarding the carrying amount of completed development projects.

12 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	61,622	45,190	11,379
Additions	925	10,102	587
Disposals	0	(9,231)	(562)
Cost end of year	62,547	46,061	11,404
Depreciation and impairment losses beginning of year	(44,340)	(31,112)	(9,094)
Depreciation for the year	(262)	(2,337)	(787)
Reversal regarding disposals	0	9,231	562
Depreciation and impairment losses end of year	(44,602)	(24,218)	(9,319)
Carrying amount end of year	17,945	21,843	2,085
Recognised assets not owned by entity	0	3,820	0

13 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	15
Additions	34,488
Cost end of year	34,503
Revaluations beginning of year	1,785
Exchange rate adjustments	(48)
Amortisation of goodwill	(829)
Share of profit/loss for the year	5,994
Revaluations end of year	6,902
Carrying amount end of year	41,405

Goodwill recognized at the balance sheet date is DKK 10,875 thousand.

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
Svanehoj France SAS	France	Simplified limited company	100.00
Svanehoj Property SAS	France	Simplified limited company	100.00
Complete Cryogenic Services Inc.	USA	Incorporated	100.00
Svanehoj China Co., Ltd.	China	Limited	100.00

14 Prepayments

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

15 Deferred tax

	2023 DKK'000	2022 DKK'000
Intangible assets	5,104	2,232
Property, plant and equipment	2,749	1,637
Inventories	935	3,130
Receivables	(87)	(209)
Provisions	(119)	(133)
Liabilities other than provisions	474	447
Deferred tax	9,056	7,104

	2023	2022
Changes during the year	DKK'000	DKK'000
Beginning of year	7,104	3,422
Recognised in the income statement	1,952	3,682
End of year	9,056	7,104

16 Other provisions

Other provisions contain provisions for warranty commitments.

17 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK'000	Due within 12 months 2022 DKK'000	Due after more than 12 months 2023 DKK'000
Lease liabilities	854	824	2,044
Other payables	0	0	11,546
	854	824	13,590

Lease liabilities due after more than 5 years are DKK 0.

18 Other payables

	2023	2022
	DKK'000	DKK'000
Wages and salaries, personal income taxes, social security costs, etc payable	4,965	1,164
Holiday pay obligation	6,704	12,474
Other costs payable	12,652	5,939
	24,321	19,577

19 Unrecognised rental and lease commitments

	2023	2022
	DKK'000	DKK'000
Liabilities under rental or lease agreements until maturity in total	939	678

20 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.

21 Assets charged and collateral

Bank loans are secured by way of a deposited mortgage deed registered to the lender on land and properties of DKK 12,000 thousand nominal. The carrying amount of mortgaged land and properties is DKK 17,945 thousand. The registered land and properties remain 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 45,000 thousand to its banks. The floating charge is secured on operating fixtures and fittings, operating equipment, development projects, domain rights and trademarks, receivables and inventory stock and unsecured claims at a carrying amount of DKK 213,006 thousand.

Bank guarantee provided for customers amounts to DKK 50,698 thousand.

Collateral provided for group enterprises

The Company has provided a guarantee to Svanehøj France SAS for all bank debt to Sydbank. Bank loans of Svanehøj France SAS amount to DKK 0 at 31 December 2023.

22 Related parties with controlling interest

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

Plemont Co-Investment No. 1 Separate Limited Partnership, Great Britain, has controlling interest in Svanehøj Group A/S.

23 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 were conducted in the financial year.

24 Group relations

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

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 (large).

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

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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.

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.

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 operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including profit from the sale of intangible assets and property, plant and equipment, and salary refunds.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

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.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

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:

	Useful life
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.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unrealised intra-group profits or losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

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.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

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.

However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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.

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.

Lease liabilities

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of Svanehøj Group A/S, CVR: 39962349.