Svanehøj Group A/S

Fabriksparken 6
9230 Svenstrup J
CVR No. 39962349

Annual report 2021

The Annual General Meeting adopted the annual report on 30.05.2022

Mikael Langgaard Frølund
Chairman of the General Meeting

Contents

Entity details

Entity

Svanehøj Group A/S

Fabriksparken 6

9230 Svenstrup J

Business Registration No.: 39962349

Registered office: Aalborg

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Søren Østergaard Sørensen, Chairman
Denis Viet-Jacobsen
Michael Frost
Thomas Synnestvedt Knudsen
Helene Anna Rasmusson Egebøl

Executive Board

Søren Kringelholt Nielsen, CEO
Mikael Langgaard Frølund, CFO

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 Group A/S for the financial year 01.01.2021 - 31.12.2021.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021.

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 J, 30.05.2022

Executive Board

Søren Kringelholt Nielsen
CEO

Mikael Langgaard Frølund
CFO

Board of Directors

Søren Østergaard Sørensen
Chairman

Denis Viet-Jacobsen

Michael Frost

Thomas Synnestvedt Knudsen

Helene Anna Rasmusson Egebøl

Independent auditor's report

To the shareholders of Svanehøj Group A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Svanehøj Group A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021 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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the 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 consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the 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 consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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, 30.05.2022

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

	2021 DKK'000	2020 DKK'000	2018/19 DKK'000
Key figures			
Revenue	611,306	622,535	644,330
Gross profit/loss	177,438	190,117	146,599
EBITDA before non-recurring items 1)	57,782	81,012	62,611
Operating profit/loss	7,069	41,574	(606)
Net financials	(5,854)	(7,452)	(5,138)
Profit/loss for the year	(4,284)	22,893	(6,668)
Balance sheet total	786,259	699,041	686,085
Investments in property, plant and equipment	8,839	15,035	66,083
Equity	367,477	366,422	349,853
Cash flows from operating activities	128,497	70,276	(5,416)
Cash flows from investing activities	(7,213)	(29,461)	(503,432)
Cash flows from financing activities	(60,915)	(34,987)	542,429
Ratios			
Gross margin (%)	29.03	30.54	22.75
EBITDA before non-recurring items margin (%)	9.45	13.01	9.72
Net margin (%)	(0.70)	3.68	(1.03)
Return on equity (%)	6.39	6.39	(1.90)
Equity ratio (%)	46.74	52.42	50.99

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

1) Non-recurring items include consultancy fees, IT projects, clean up from previous ownership, reorganization and acquisition costs.

Gross margin (%):
Gross profit/loss * 100
Revenue

EBITDA before non-recurring items margin (%):
EBITDA before non-recurring items * 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
Balance sheet total

Primary activities

Svanehøj Group A/S ("Svanehøj Group", the "Group", or the "Company") is headquartered in Aalborg, Denmark, and consists of two independent business units, Svanehøj and Hamworthy Pumps. The Group designs and manufactures market-leading renewable ready pump solutions, facilitating the usage of cleaner energy sources in global shipping.

The Group has a long and rich history and has been present in the marine market for more than 100 years. Its brands include Svanehøj, Hamworthy Pumps, Eureka and Dolphin, with leading products used in mission critical applications, such as fuel pumps, cargo offloading of liquid gases, oil, and chemicals, engine cooling, and carbon capture, in which safety, operational performance, and fast response time on aftermarket services and spare parts is critical.

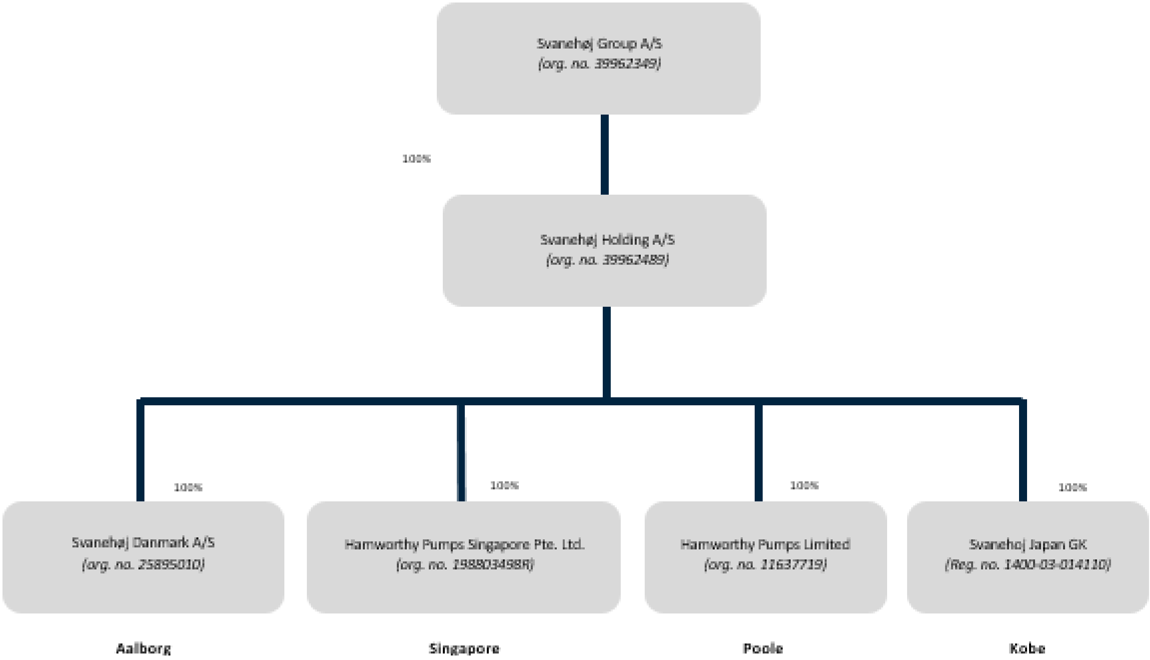
Svanehøj Group holds leading positions in niche market segments, and continuously invests in R&D to stay at the forefront of innovation. The Group is well-positioned to benefit from several secular growth drivers, including the rebound in global new shipbuilding, increased global gas trade, and the green transition in the marine and heavy industry segments. As an example, the Group's DW Fuel Pump is a future proof solution that enables LNG/LPG fuels to be pumped into the ship engines and can also be used for the future zero-carbon marine fuels.

The Groups versatile cargo pumps for liquid gas are already also used for industrial pumping of liquid CO2 and is therefore the optimal solution for coming Carbon Capture & Storage CO2 tankers, where Svanehøj Group in early 2022 received the first orders.

Svanehøj Group estimates that the installation of one liquid gas marine fuel pump system results in CO2 reductions versus heavy fuel oil equivalent to annually converting c. 18,500 households from fossil fuel to wind energy (with an investment of 1/10th the size), and equally important eliminating the emission of particles.

The main activities of Svanehøj Group are primarily carried out by its subsidiaries Svanehøj Danmark A/S and Hamworthy Pumps Singapore PTE ltd. Activities are directed from the headquarters in Aalborg (Denmark), and from the main sites in Singapore, Kobe (Japan), Poole (UK), China, and Frederikshavn (Denmark), supported by sales representation across all main markets.

Group Chart



Development in activities and finances

In 2021, Svanehøj Group continued its strong development with increasing order-intake and robust financial performance despite being impacted by supply-chain bottlenecks and travel restrictions in-light of Covid-19. The Company realised a turnover of DKK 611.3 million against DKK 622.5 million in 2020, and an EBITDA before non-recurring items of DKK 57.8 million against DKK 81.0 million in 2020. Revenue growth and profitability was impacted by subsidiary Hamworthy Pumps that experienced a challenging year, coupled with an increased cost base as the Group during 2021 geared its organisation for future growth and increased its investments in product development. Additionally, management estimates that DKK 25-40 million in revenue has been postponed until 2022.

The Group reached an all-time high order intake in 2021 of DKK 960 million, almost 50% higher than in 2020, demonstrating the accelerated demand for its leading niche and renewable ready product offering and strong aftermarket capabilities.

Profit/loss for the year in relation to expected developments

Management highlights that Svanehøj continued its strong growth trajectory in 2021, with key contributors being: (1) accelerated demand for the patented DW Fuel Pump, which is fully compatible with all types of liquid gas fuels, including LNG, LPG, green ammonia, methanol, and hydrogen; (2) cargo solutions for LPG carriers and P&C carriers; and (3) rapidly expanding service and aftersales business, which has been further strengthened through the successful integration of Force Technology Marine Service Equipment that was acquired in 2020. Additionally, to support the ambitious growth strategy, the Group made a strategic decision to invest more than DKK 10 million in a lean manufacturing project in Denmark, expected to increase productivity and capacity by up to 50%.

Hamworthy Pumps experienced challenges throughout 2021, with more strict travel restrictions across Asia and delivery of legacy projects with low profitability. Despite being a challenging year, Hamworthy Pumps has launched a new go-to-market strategy and strengthened its organisation and operations to ensure improved performance going forward.

Outlook

Svanehøj Group's growth trajectory is set to continue, with its strong order backlog and increased aftersales activities providing robustness to the business going into 2022.

The Group has an attractive long-term growth outlook underpinned by the rebound in new shipbuilding and being positioned as a facilitator of the green energy transition in the marine industry, with a leading product portfolio and a strengthened aftermarket business. Furthermore, the Group is well positioned to gain market share in the growing markets for power-to-x infrastructure and carbon capture storage. Lastly, the acquisition of Wärtsilä Tank Control Systems (closed in January 2022) has increased the Company's addressable service market within the marine segment, and provides attractive opportunities in the unexploited land-based segment for high -end liquefied gas handling equipment and aftermarket services with large installed base across LNG terminals, transportation, and storage.

Following the successful implementation of its business strategy "Towards 2023" and significant growth experienced in recent years, the Company will enter 2022 with a new business strategy in place "Let's- grow together". The strategy is centered around the Group's new value proposition "Powering a Better Future" and emphasises the Group's commitment to facilitate the green transition by staying at the forefront of innovation and offer the most environmentally friendly solutions. Additionally, while the strategy is focused on the marine industry, the Group has an ambition to expand into other segments within the infrastructure for liquefied energy.

The Group expects EBITDA Before Non-Recurring Items, to increase to the range of DKK 120-150m

Particular risks

Due to its activities abroad, Svanehøj Group's profit and equity have been affected by exchange rate fluctuations in several currencies. It is the Company's policy to hedge against commercial currency 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 forward exchange contracts for speculative purposes.

Knowledge resources

Svanehøj's objective is to supply high-technology products. This activity involves specific requirements in terms of intellectual capital, regarding product development as well as sales and order processing. Recruitment of qualified staff has not been a problem, and employee turnover has been low in general.

Research and development activities

Svanehøj Group's products and solutions are under continuous development and are adapted to the needs and development of customers and markets. A significant part of the R&D resources is focused on developing solutions for the ongoing green transition.

Statutory report on corporate social responsibility

Svanehøj Group is a dedicated supplier of pump solutions, which support the green transition in the maritime sector. The Company's dedication to sustainability and the UN Sustainable Development Goals is fundamental to the way it operates and is governed.

This statement of Corporate and Social Responsibility (CSR) for Svanehøj Group covers the period from 1 January 2021 to 31 December 2021. CSR is an integrated part of the Svanehøj Group business, strategy, and policies.

Environment and sustainability

Svanehøj Group works to reduce the impact on the environment through sustainable marine pump solutions, regardless of propellant. The Company offers a range of well-proven fuel and cargo pump systems with the capability to support a fast and complete transition to zero-carbon maritime fuels. Already today, Svanehøj's deepwell fuel pump solution is fully compatible with e-fuels such as green ammonia, methanol, and hydrogen. The Company also provides pump solutions for carbon capture and storage.

Management wants to make sustainability and the UN Sustainable Development Goals a more integrated part of everyday life internally at Svanehøj Group. To that end, a process was launched in the autumn of 2021 to help Svanehøj Group design an appropriate structure for its work with sustainability. First, a materiality assessment and a current state analysis were prepared, which will help form the basis for specific objectives and initiatives.

In 2022, Svanehøj's CO2e emissions will be mapped to establish CO2e baselines for Scope 1 and Scope 2 emissions, cf. the Greenhouse Gas Protocol, which will then form the basis for specific objectives and plans for CO2e reduction. Another important focus area in 2022 is the training and involvement of the Group's employees. Svanehøj Group organise training courses and workshops to educate sustainability ambassadors in all departments of the Company to ensure stronger anchoring and collective efforts.

The environmental performance in Svanehøj Group is constantly monitored. At present, there are no risks, nor topics identified that requires special attention.
The short-term focus is to identify all sources that emit greenhouse gases from Svanehøj Group's operations. This will ensure the foundation for the implementation of reduction initiatives based on the greenhouse gas calculation which will be finalised in 2022.
In addition, Svanehøj Group has a special focus on searching and evaluating where it can positively contribute to the green transition through its product and applications.

Svanehøj Group is certified by DNV 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.

Human rights
Svanehøj Group supports the United Nations Universal Declaration of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. Employees are forbidden to take any action that violates the human rights principles, directly and indirectly. Svanehøj Group upholds freedom of association and the effective recognition of the right to collective bargaining. There could potentially be risks in the supply chain with international sub suppliers, and these risks are addressed by internal audit on both new and existing sub suppliers. In 2021 no breaches of human rights were identified, and Svanehøj Group will continue to focus efforts to prevent any breaches of human rights.

Employees
Svanehøj Group strives to remain a workplace that creates attractive jobs and supports the personal and professional development of its employees. In addition, the Company is dedicated to ensuring a safe and healthy working environment of the highest standards. Svanehøj Group works preventively to avoid risks related to employee motivation and work-related accidents and is certified by DNV-GL for the OHSAS 18001 health and safety management standard. Svanehøj Group operates in the heavy manufacturing industry and work accordingly to the OHSAS 18001 health and safety management standard to ensure a safe work environment.

Svanehøj Group believes that employee diversity, including a gender balance, contributes positively to the work environment and strengthens the Group's performance and competitiveness.

Svanehøj Group strives to be an inclusive workplace without discrimination. Recruitment of new employees is based solely on the best evaluation of candidates' competence and experience. Gender, belief, age, nationality, ethnicity, or sexual orientation are not relevant criteria when recruiting. The Company seeks a balanced split between genders.

The Group's target is that at least two of five shareholder-elected Board members should be female by 2023. As per year end 2021, the composition of shareholder-elected Board members was 1 female and 4 male members, and the share of management positions from 1st line managers to CEO level held by females was 14% (5 out of 37).

The policy and target are to seek to increase the female share through internal promotion and recruitment. To bring more females into managerial positions, a mandate has been put in place to always include qualified candidates from both genders in managerial recruitment.

Anti-corruption

Svanehøj Group is committed to never engage in any form of bribery, corruption, extortion, or embezzlement, and to avoid the risk of illegal methods influencing public officials, the judiciary, or any other private parties. This is implemented in the code of conduct. No corruption instances within Group activities have been experienced.

For more information, please see the homepage which is continuously developed and updated.
https://www.svanehoj.com/about/corporate-social-responsibility/

Statutory report on data ethics policy

Svanehøj Group is responsible for and processes the information that customers provide, or which is collected about the customers. Customer information is treated with respect for the confidentiality of the information and for customer privacy.

There is a clear corporate policy on that personal information is used respectfully for customers' and other stakeholder's privacy, to ensure compliance with the Data Protection Act and the Data Protection Regulation.

Events after the balance sheet date

Svanehøj Group is closely monitoring the potential direct and indirect impact of the ongoing Russian invasion of Ukraine, and the development of sanctions on Russia by the international community. The Group acted immediately to ensure health and safety of its employees and no service orders in the Black-Sea area are currently performed. Generally, the Group has limited sales activities and customer base in the area, and therefore no material direct impact is anticipated. Additionally, the Group continuously evaluates the increased raw material prices and potential disruptions in the supply-chain, and currently no material impact is anticipated.

With effect from 14th January 2022, Svanehøj acquired Wärtsilä Tank Control Systems, a specialist in production, sale, and service of high-end measurement systems for gas tanks on LNG ships and land-based LNG systems. The acquisition is a further step for Svanehøj into the market for high-end liquefied gas handling equipment, which is expected to be facing strong growth in the coming years.

The majority of the TCS staff has been employed in a new independent business unit for land-based activities - Svanehøj France - based in the city of Calais. The remaining employees have become part of Svanehøj's service departments in Singapore and the UK.

Consolidated income statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Revenue	1	611,306	622,535
Production costs		(433,868)	(432,418)
Gross profit/loss		**177,438**	**190,117**
Distribution costs		(63,894)	(47,752)
Administrative expenses	2	(106,475)	(100,791)
Operating profit/loss		**7,069**	**41,574**
Other financial expenses	4	(5,854)	(7,452)
Profit/loss before tax		**1,215**	**34,122**
Tax on profit/loss for the year	5	(5,499)	(11,229)
Profit/loss for the year	6	**(4,284)**	**22,893**

Consolidated balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Completed development projects	8	2,216	683
Acquired intangible assets		36,653	40,035
Goodwill		260,450	276,355
Intangible assets	7	**299,319**	**317,073**
Land and buildings		43,865	46,346
Plant and machinery		16,239	10,735
Other fixtures and fittings, tools and equipment		1,453	3,207
Property, plant and equipment	9	**61,557**	**60,288**
Deposits		171	2,506
Financial assets		**171**	**2,506**
Fixed assets		**361,047**	**379,867**

Raw materials and consumables		117,699	95,866
Work in progress		60,949	54,033
Manufactured goods and goods for resale		17,803	6,327
Inventories		**196,451**	**156,226**
Trade receivables		108,915	114,306
Other receivables		12,220	1,869
Prepayments	10	7,848	7,364
Receivables		**128,983**	**123,539**
Cash		**99,778**	**39,409**
Current assets		**425,212**	**319,174**
Assets		**786,259**	**699,041**

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital	11	35,553	35,553
Translation reserve		(4,182)	(9,622)
Reserve for fair value adjustments of hedging instruments		135	257
Retained earnings		335,971	340,234
Equity		**367,477**	**366,422**
Deferred tax	12	3,371	7,342
Other provisions	13	1,904	3,035
Provisions		**5,275**	**10,377**
Bank loans		44,478	89,193
Lease liabilities		1,495	0
Other payables	14	7,516	8,202
Non-current liabilities other than provisions	15	**53,489**	**97,395**
Current portion of non-current liabilities other than provisions	15	45,342	45,000
Bank loans		21	16,221
Prepayments received from customers		164,354	56,413
Trade payables		109,342	73,321
Tax payable		8,564	9,818
Other payables		32,395	24,074
Current liabilities other than provisions		**360,018**	**224,847**
Liabilities other than provisions		**413,507**	**322,242**
Equity and liabilities		**786,259**	**699,041**
Staff costs	3		
Financial instruments	17		
Fair value information	18		
Unrecognised rental and lease commitments	19		
Assets charged and collateral	20		
Transactions with related parties	21		
Subsidiaries	22		

Consolidated statement of changes in equity for 2021

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	35,553	(9,622)	257	340,234	366,422
Exchange rate adjustments	0	5,440	0	0	5,440
Value adjustments	0	0	(122)	21	(101)
Profit/loss for the year	0	0	0	(4,284)	(4,284)
Equity end of year	**35,553**	**(4,182)**	**135**	**335,971**	**367,477**

Consolidated cash flow statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Operating profit/loss		7,069	41,574
Amortisation, depreciation and impairment losses		26,765	28,291
Working capital changes	16	111,782	8,275
Cash flow from ordinary operating activities		**145,616**	**78,140**
Financial expenses paid		(5,854)	(7,361)
Taxes refunded/(paid)		(11,265)	(503)
Cash flows from operating activities		**128,497**	**70,276**
Acquisition etc. of intangible assets		(1,541)	0
Acquisition etc. of property, plant and equipment		(8,839)	(16,021)
Sale of property, plant and equipment		832	0
Sale of fixed asset investments		2,335	0
Acquisition of enterprises		0	(13,440)
Cash flows from investing activities		**(7,213)**	**(29,461)**
Free cash flows generated from operations and investments before financing		**121,284**	**40,815**
Loans raised		0	135,000
Repayments of loans etc.		(60,915)	(169,987)
Cash flows from financing activities		**(60,915)**	**(34,987)**
Increase/decrease in cash and cash equivalents		**60,369**	**5,828**
Cash and cash equivalents beginning of year		39,409	33,581
Cash and cash equivalents end of year		**99,778**	**39,409**
Cash and cash equivalents at year-end are composed of:			
Cash		99,778	39,409
Cash and cash equivalents end of year		**99,778**	**39,409**

Notes to consolidated financial statements

1 Revenue

	2021 DKK'000	2020 DKK'000
Europe	219,762	245,419
Asia	215,597	311,314
Rest of the World	175,947	65,802
Total revenue by geographical market	**611,306**	**622,535**
New build	417,362	470,835
Aftersales	193,944	151,700
Total revenue by activity	**611,306**	**622,535**

2 Fees to the auditor appointed by the Annual General Meeting

	2021 DKK'000	2020 DKK'000
Statutory audit services	557	403
Other assurance engagements	274	233
Tax services	120	120
	951	**756**

3 Staff costs

	2021 DKK'000	2020 DKK'000
Wages and salaries	108,414	123,369
Pension costs	13,737	15,578
Other social security costs	1,287	2,761
	123,438	**141,708**
Average number of full-time employees	**259**	**247**

	Remuneration of Manage-ment 2021 DKK'000	Remuneration of Manage-ment 2020 DKK'000
Executive Board	-	3,948
Board of Directors	-	1,202
Total amount for management categories	4,220	-
	4,220	**5,150**

Remuneration includes salary, bonus, pension and other benefits.

4 Other financial expenses

	2021 DKK'000	2020 DKK'000
Other interest expenses	5,854	6,712
Exchange rate adjustments	0	740
	5,854	**7,452**

5 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Current tax	9,246	9,819
Change in deferred tax	(3,971)	1,406
Adjustment concerning previous years	224	4
	5,499	**11,229**

6 Proposed distribution of profit/loss

	2021 DKK'000	2020 DKK'000
Retained earnings	(4,284)	22,893
	(4,284)	**22,893**

7 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000
Cost beginning of year	1,301	46,787	308,688
Additions	1,541	0	0
Cost end of year	**2,842**	**46,787**	**308,688**
Amortisation and impairment losses beginning of year	(618)	(6,752)	(32,333)
Amortisation for the year	(8)	(3,382)	(15,905)
Amortisation and impairment losses end of year	**(626)**	**(10,134)**	**(48,238)**
Carrying amount end of year	**2,216**	**36,653**	**260,450**

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 2021 the carrying amount of completed development projects amounts to DKK 2.216k. 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	54,202	12,786	7,143
Additions	1,036	7,803	0
Cost end of year	**55,238**	**20,589**	**7,143**
Depreciation and impairment losses beginning of year	(7,856)	(2,051)	(3,936)
Depreciation for the year	(3,517)	(2,299)	(1,754)
Depreciation and impairment losses end of year	**(11,373)**	**(4,350)**	**(5,690)**
Carrying amount end of year	**43,865**	**16,239**	**1,453**
Recognised assets not owned by Entity	0	1,724	0

10 Prepayments

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

11 Contributed capital

	Number	Par value DKK'000	Nominal value DKK'000
Shares	35,552,840	0.001	35,553
	35,552,840		**35,553**

No share confers any special rights or privileges on the holder.

12 Deferred tax

	2021 DKK'000	2020 DKK'000
Intangible assets	916	471
Property, plant and equipment	5,701	5,881
Fixed asset investments	1,687	1,085
Inventories	(33)	(97)
Receivables	(92)	(353)
Other investments	192	355
Tax losses carried forward	(5,000)	0
Deferred tax	**3,371**	**7,342**

Changes during the year	2021 DKK'000	2020 DKK'000
Beginning of year	7,342	5,000
Recognised in the income statement	(3,971)	1,406
Recognised directly in equity	0	936
End of year	**3,371**	**7,342**

Tax assets from losses carried forward amount of 5.000 DKK and relates to Singapore. Management expects the tax assets to be utilized within 3 year period.

13 Other provisions

Other provisions contains provisions for warranty commitments.

14 Other payables

	2021 DKK'000	2020 DKK'000
Holiday pay obligation	7,516	8,202
	7,516	**8,202**

15 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK'000	Due within 12 months 2020 DKK'000	Due after more than 12 months 2021 DKK'000	Outstanding after 5 years 2021 DKK'000
Bank loans	45,000	45,000	44,478	0
Lease liabilities	342	0	1,495	0
Other payables	0	0	7,516	7,516
	45,342	**45,000**	**53,489**	**7,516**

16 Changes in working capital

	2021 DKK'000	2020 DKK'000
Increase/decrease in inventories	(40,225)	(14,545)
Increase/decrease in receivables	(5,444)	8,417
Increase/decrease in trade payables etc.	157,451	14,403
	111,782	**8,275**

17 Derivative financial instruments

For hedging purposes, the Company has entered into financial contracts covering 0-4 months. On the balance sheet date, financial contracts can be broken down into the following principal items:

	Volume DKK'000	Deferred recognition in equity 2021 DKK'000
Currency contracts in JPY	4,533	174

18 Fair value information

	Financial instruments DKK'000
Fair value end of year	174
Unrealised fair value adjustments recognised in the fair value reserve in equity	174

19 Unrecognised rental and lease commitments

	2021 DKK'000	2020 DKK'000
Total liabilities under rental or lease agreements until maturity	**51,855**	**49,628**

20 Assets charged and collateral

Bank loans are secured by way of a deposited mortgage deed registrered to the mortgager on plant of DKK 12.000k nominal. The carrying amount of the properties held under mortgage amounts to DKK 39.285k. The registered to mortgagor remains in the Company's possession.

Bank debt is secured by way of floating company charge for DKK 45,000k in Svanehøj Danmark A/S. The floating charge is secured on operating fixtures and fittings, operating equipment, goodwill, domain rights and trademarks, receivables and inventory stock and unsecured claims at a carrying amount of DKK 249,083 k.
Bank guarantee provided for customers of DKK 32,264k.

21 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

22 Subsidiaries

	Registered in	Corporate form	Ownership %
Svanehøj Holding A/S	Denmark	A/S	100.0
Svanehøj Danmark A/S	Denmark	A/S	100.0
Hamworthy Pumps Singapore Pte. Ltd.	Singapore	Ltd.	100.0
Hamworthy Pumps Limited	England	Ltd.	100.0
Svanehoj Japan LLC	Japan	LLC	100.0

Parent income statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Revenue	1	13,200	15,000
Property costs		(329)	0
Gross profit/loss		**12,871**	**15,000**
Administrative expenses		(18,496)	(14,318)
Operating profit/loss		**(5,625)**	**682**
Income from investments in group enterprises		2,787	22,772
Other financial expenses	4	(3,413)	(527)
Profit/loss before tax		**(6,251)**	**22,927**
Tax on profit/loss for the year	5	1,967	(34)
Profit/loss for the year	6	**(4,284)**	**22,893**

Parent balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Acquired intangible assets		521	850
Intangible assets	7	**521**	**850**
Investments in group enterprises		361,953	353,827
Financial assets	8	**361,953**	**353,827**
Fixed assets		**362,474**	**354,677**
Receivables from group enterprises		135,910	170,690
Joint taxation contribution receivable		2,634	30
Prepayments	9	772	793
Receivables		**139,316**	**171,513**
Cash		**904**	**441**
Current assets		**140,220**	**171,954**
Assets		**502,694**	**526,631**

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		35,553	35,553
Reserve for net revaluation according to equity method		22,123	13,997
Retained earnings		309,801	316,872
Equity		**367,477**	**366,422**
Deferred tax	10	107	174
Provisions		**107**	**174**
Bank loans		44,478	89,193
Non-current liabilities other than provisions	11	**44,478**	**89,193**
Current portion of non-current liabilities other than provisions	11	45,000	45,000
Payables to group enterprises		42,056	21,164
Other payables		3,576	4,678
Current liabilities other than provisions		**90,632**	**70,842**
Liabilities other than provisions		**135,110**	**160,035**
Equity and liabilities		**502,694**	**526,631**
Staff costs	2		
Amortisation, depreciation and impairment losses	3		
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Assets charged and collateral	14		
Related parties with controlling interest	15		
Transactions with related parties	16		

Parent statement of changes in equity for 2021

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	35,553	13,997	316,872	366,422
Exchange rate adjustments	0	5,440	0	5,440
Other entries on equity	0	(101)	0	(101)
Profit/loss for the year	0	2,787	(7,071)	(4,284)
Equity end of year	**35,553**	**22,123**	**309,801**	**367,477**

Notes to parent financial statements

1 Revenue

Revenue consist of management fee to subsidiaries.

2 Staff costs

	2021 DKK'000	2020 DKK'000
Wages and salaries	5,209	6,733
Pension costs	689	793
Other social security costs	31	16
	5,929	**7,542**

Average number of full-time employees	3	5

	Remuneration of Manage-ment 2021 DKK'000	Remuneration of Manage-ment 2020 DKK'000
Executive Board	-	395
Board of Directors	-	120
Total amount for management categories	2,661	-
	2,661	**515**

Remuneration includes salary, bonus, pension and other benefits.

3 Depreciation, amortisation and impairment losses

	2021 DKK'000	2020 DKK'000
Amortisation of intangible assets	329	137
	329	**137**

4 Other financial expenses

	2021 DKK'000	2020 DKK'000
Other interest expenses	3,413	526
Exchange rate adjustments	0	1
	3,413	**527**

5 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Current tax	(1,960)	(30)
Change in deferred tax	(37)	64
Adjustment concerning previous years	30	0
	(1,967)	**34**

6 Proposed distribution of profit and loss

	2021 DKK'000	2020 DKK'000
Retained earnings	(4,284)	22,893
	(4,284)	**22,893**

7 Intangible assets

	Acquired intangible assets DKK'000
Cost beginning of year	987
Cost end of year	**987**
Amortisation and impairment losses beginning of year	(137)
Amortisation for the year	(329)
Amortisation and impairment losses end of year	**(466)**
Carrying amount end of year	**521**

8 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	339,830
Cost end of year	**339,830**
Revaluations beginning of year	13,997
Exchange rate adjustments	5,440
Adjustments on equity	(101)
Share of profit/loss for the year	2,787
Revaluations end of year	**22,123**
Carrying amount end of year	**361,953**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

9 Prepayments

Prepayments consists of prepaid insurance.

10 Deferred tax

	2021 DKK'000	2020 DKK'000
Other deductible temporary differences	107	174
Deferred tax	**107**	**174**

Changes during the year	2021 DKK'000	2020 DKK'000
Beginning of year	174	110
Recognised in the income statement	(67)	64
End of year	**107**	**174**

11 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK'000	Due within 12 months 2020 DKK'000	Due after more than 12 months 2021 DKK'000
Bank loans	45,000	45,000	44,478
	45,000	**45,000**	**44,478**

Outstanding bank loans after 5 years are DKK 0.

12 Unrecognised rental and lease commitments

	2021 DKK'000	2020 DKK'000
Total liabilities under rental or lease agreements until maturity	**1,398**	**2,076**

13 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. 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 these entities.

14 Assets charged and collateral

There is no assets charged or collateral at the balance date.

The shares in Svanehøj Holding A/S have been pledged as security for all bank debt to Sydbank. Bank loans of Svanehøj Group A/S amount to DKK 90.000 k and the share in Svanehøj Holding A/S amount to DKK 356.763k.

Collateral provided for group enterprises

For the financial period ending 31 December 2021 Svanehøj Group A/S agreed to guarantee all outstanding liabilities to which its subsidiary undertaking, Hamworthy Pumps Limited (the "Subsidiary") is subject to at the end of the financial year. This entitled the Subsidiary to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The Company has provided guarantee to Svanehøj Danmark A/S for all bank debt to Sydbank. Bank loans of Svanehøj Danmark A/S amount to DKK 21k at 31 December 2021.

15 Related parties with controlling interest

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

16 Non-arm’s length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

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 consolidated financial statements and parent 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.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate 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 and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

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.

Property costs

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

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

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

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 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.

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

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. For other amounts of goowill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as a separate asset. Useful lives are reassessed annually. The amortisation period used are 20 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. If the useful life cannot be estimated reliably, it is fixed at 10 years. 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 on a straight-line basis 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:

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.

Investments in group enterprises

In the parent financial statements, 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 unamortised goodwill and plus or minus unrealised intra-group profits and 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 Reserve for net revaluation according to the equity method under equity.

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. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If useful lives cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 20 years.

Goodwill is 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 on 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.

Joint taxation contributions payable or receivable

Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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

Cash
Cash comprises cash in hand and bank deposits.

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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

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.

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.

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.