Svanehøj Group A/S

Fabriksparken 6
9230 Svenstrup J
CVR No. 39962349

Annual report 2020

The Annual General Meeting adopted the annual report on 07.05.2021

Ole Styrbæk
Chairman of the General Meeting

Contents

Entity details

Entity

Svanehøj Group A/S

Fabriksparken 6

9230 Svenstrup J

Business Registration No.: 39962349

Registered office: Aalborg

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

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

Executive Board

Søren Kringelholt Nielsen, adm. dir.

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 01.01.2020 - 31.12.2020

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 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020.

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

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

Svenstrup J, 16.04.2021

Executive Board

Søren Kringelholt Nielsen
adm. dir.

Board of Directors

Søren Østergaard Sørensen
chairman

Denis Viet-Jacobsen

Michael Pontoppidan 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 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, 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 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor’s responsibilities for the audit of the 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 of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the 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 and 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, 16.04.2021

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

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

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

Management commentary

Financial highlights

	2020 DKK'000	2018/19 DKK'000
Key figures		
Revenue	622,535	644,330
Gross profit/loss	200,598	146,599
Operating profit/loss	41,483	(606)
Net financials	(7,361)	(5,138)
Profit/loss for the year	22,893	(6,668)
Balance sheet total	699,041	686,084
Investments in property, plant and equipment	15,035	66,083
Equity	366,422	349,853
Cash flows from operating activities	70,276	(5,416)
Cash flows from investing activities	(29,461)	(503,432)
Cash flows from financing activities	(34,987)	542,429
Ratios		
Gross margin (%)	32.22	22.75
Net margin (%)	3.68	(1.03)
Return on equity (%)	6.39	(1,9)
Equity ratio (%)	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.

Gross margin (%):
Gross 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
Balance sheet total

Primary activities

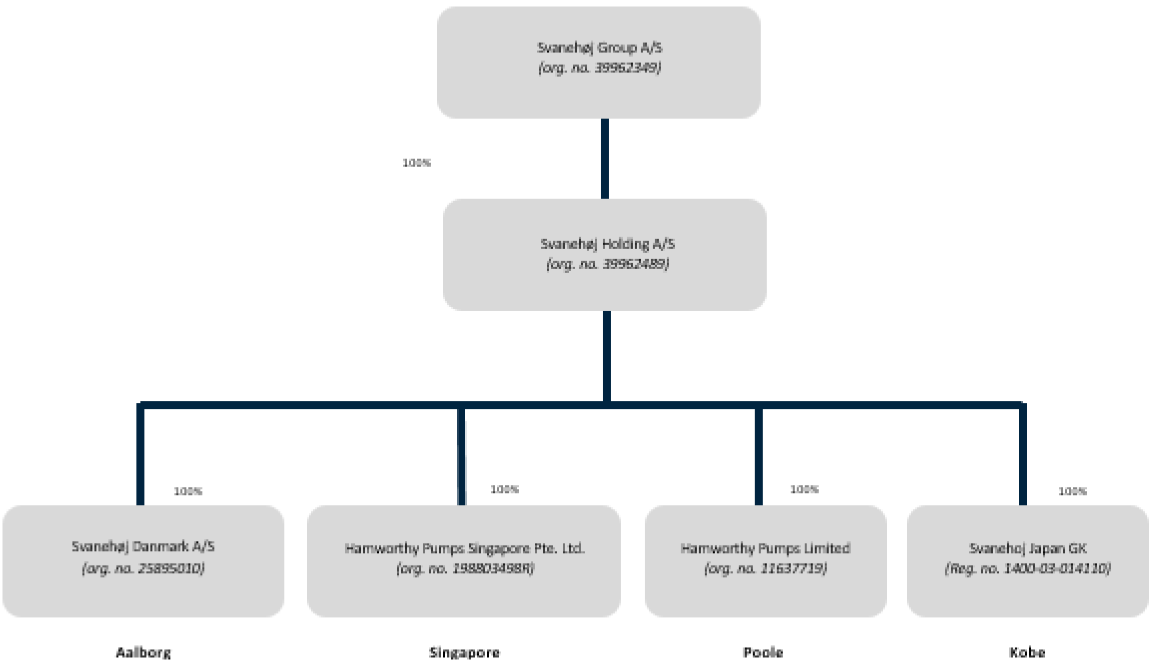
Svanehøj Group A/S has been operational since November 1st, 2018, when the pump business was acquired from Wärtsilä.

Svanehøj Group is headquartered in Aalborg, Denmark, and above all designs, manufactures, and markets deep well and in-line pumps for the marine and oil and gas industries. Svanehøj Group holds a leading position in niche market segments, benefiting from growth dynamics in several sectors including the overall ship building cycle, "LNG ready" ship building and the increased global gas trade. The Group has had a market presence for more than 100 years, and its brands include Svanehøj, Hamworthy Pumps, Eureka and Dolphin. Its leading products are used in mission critical applications, such as cargo offloading, fuel gas handling, ballasting, engine cooling, fire protection and exhaust gas cleaning, where easy access and safe equipment handling are of extreme importance.

The main activities of Svanehøj Group are primarily carried out by its subsidiaries Svanehøj Danmark A/S and Hamworthy Pumps Singapore PTE ltd.

Our activities are directed from our headquarters in Aalborg (Denmark), and from our main sites in Singapore, Kobe (Japan), Poole (UK), China and Frederikshavn (Denmark). Our activities are supported by sales representation in all of our main markets.

Group Chart



Development in activities and finances

Svanehøj Group A/S demonstrated its resilience during 2020 and has, despite the current market situation, realized Revenue of DKK 622.5m and EBITDA of DKK 67.9m.

Svanehøj Group was negatively impacted by Covid-19, mainly by lockdowns affecting production in our facilities in Denmark and Singapore. Our global service organization was impacted by local and global travel restrictions and docking delays. Working under these difficult circumstances, the global Svanehøj Group organization has managed to service our customers and deliver a result providing growth and profitability in line with pre Covid-19 expectations. The result achieved is therefore very satisfactory.

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

A cornerstone of the “Towards 2023” strategy is the continued development and sale of products aiding the green transition in the marine industry. In this field, Svanehøj Group has expanded its strong market position in the gas fuel market with continued development of the innovative DW FUEL Pump Systems. At Hamworthy Pumps several years of focused work to increase the naval segment has resulted in large framework orders for the US Navy and the UK Royal Navy. These orders will be delivered over the next 5 years.

Outlook

Market conditions in 2021 are expected to improve from the very low general order activity in the marine market in 2020. While the exact timing of the recovery from Covid-19 is unsure, it is expected to arrive in the next two years.

Svanehøj Group enters 2021 with a strong order backlog and, despite concerns about Covid-19 recovery, the expectations in revenue and profit for 2021 are a little above level in 2020.

For the coming years high growth is expected in all of the business areas of the Svanehøj Group. This growth is driven by the following pivotal trends:

- The green transition in the marine market
- The marine market entering into a high growth super cycle following a number of years with low order activity
- Growth in the gas cargo market due to environmental concerns that favour gas over coal and oil as the transition fuel for the coming decades

Particular risks

Operating risks

Svanehøj Group's main operating risks are related to market development as well as competitiveness of the company’s product portfolio. The Group aim to be strongly positioned on the markets were Svanehøj Group's products are sold by continuous product development, offering high delivery accuracy and through a leading global service offering.

Financial risks

As a result of its operations, investment and financing, Svanehøj Group is exposed to changes in currency exchange rates and interest rates.

Foreign exchange risk

The Group is affected by changes in currency exchange rates, as goods purchased and the main portion of its turnover is invoiced in foreign currency, while the main portion of its costs, including wages and salaries, are paid mainly in Danish Kroner and Singapore Dollars. The Group uses forward contracts to limit currency transaction exposure in line with the finance policy approved by the Board of Directors.

Credit risk
Customer payment terms for projects normally include prepayments, limiting credit risk. It is also Group policy to assess and rate the credit worthiness of all customers and other business partners on an ongoing basis. Credit approval is based on these ratings.

Interest rate risk and liquidity risk
The Group has no significant interest rate risk and has credit facilities available that exceed expected requirements.

Knowledge resources
The Company supplies high-technology products. This activity involves specific requirements in terms of intellectual capital, especially with regard to product development and order engineering. Recruiting qualified staff has not been a problem, and employee turnover is low in general.

Research and development activities
The Company's products are under continuous development and are adapted to meet the needs and evolution of our customers and markets. A significant portion of our R&D resources is focused on developing products for the ongoing green transition in the marine sector.

Statutory report on corporate social responsibility
Svanehøj Group is a dedicated supplier of pumps and pump solutions, which can support the improvement of energy consumption in the maritime sector. The company's dedication to its 'Towards 2023' vision, sustainability and the UN Sustainable Development Goals is fundamental to the way it operates and is governed.

The statement of Corporate and Social Responsibility (CSR) for Svanehøj Group covers the accounting period 1 January 2020 to 31 December 2020. The CSR is an integrated part of the Svanehøj Group's business, and is integrated into both our strategy and policies.

To ensure that CSR work focuses on the Group's most significant impacts, and the expectations and requirements of stakeholders, Svanehøj Group has developed a CSR strategy, which sets the framework for all work in Svanehøj Group A/S. The strategy is in alignment with the ten principles of the UN Global Compact and comprises all matters related to the environment, climate, employees, human rights and anti-corruption.

Our various departments have day-to-day responsibility for developing policies and implementing the strategy's action plans, objectives and reporting procedures.

Below we describe our policies and the mitigation of risk in relation to social responsibility.

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

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

In terms of supply chain and operations, Svanehøj Group has no significant impact on the environment, either in terms of soil pollution or emissions of contaminants. As a result, we believe that the overall risk to the environment and climate is low. Both Svanehøj Denmark and Hamworthy Pumps Singapore are certified by DNV-GL for the environmental management standard ISO 14001

In 2020 we have focused on:

- Further reducing the environmental impact of the company's operations by reducing energy consumption in our facilities and in the reduction of packaging waste.
- Developing supply chain solutions to localize the sourcing of components so as to reduce our carbon footprint.
- Reducing business travel by utilizing technologies such as Skype: using video calls instead of face-to-face meetings.

We believe that our activities in 2020 have contributed to reduce the environmental impact of the Svanehøj Group, and we will continue with activities in these areas to further reduce our energy consumption and our carbon footprint in 2021.

Human rights

We are committed to the protection of human rights and support the United Nations Universal Declaration of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. For us this means that no employee is allowed to take any action that violates these human rights principles, either directly or indirectly. We also uphold freedom of association and the effective recognition of the right to collective bargaining.

In 2020 we have focused on:

- Continuing to ensure that all employees understand and accept our Code of Conduct.
- Ensuring compliance with our Code of Conduct and Supplier Requirement Policy. We have reviewed the policies with all key suppliers during our periodic audit.

We are not aware of any breaches regarding human rights in the Svanehøj Group in 2020.

In 2021 we will continue to train our employees in the principles laid out in the Code of Conduct with respect to human and labour rights.

Employees

It is our goal to remain a company that encourages and supports the development of our employees and creates attractive jobs. Furthermore, we are dedicated to ensuring a safe and healthy working environment that meets the highest standards. We are therefore working actively to avoid any risks related to employee motivation and work-related accidents. Svanehøj Denmark is certified by DNV-GL for the OHSAS 18001 health and safety management standard, and Hamworthy Pumps Singapore has converted into OHSAS 45001.

In 2020 we have focused on:

- Continuing our efforts to embed a strong safety awareness mindset along with a continued focus on safety rounds extending to departmental managers.
- Creating health awareness within the organization, including the improved sanitation of common areas and installing hand sanitizer dispensers.
- Enhancing the skills of the current workforce, leveraging skillsets to meet industry standards.

We believe that our activities in 2020 have contributed to maintaining a good and safe working environment in the Svanehøj Group.

In 2021 we will continue focus on further increasing safety awareness in our organization.

Anti-corruption
Svanehøj Group A/S 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.

In 2020, we focused on ensuring that all employees understood the importance of following companies' ethical guidelines, and on having zero incidents of corruption. We have also focused on ensuring that all new contracts with agents, intermediaries and consultants include a section on anti-corruption.

No breaches of Svanehøj Group’s Code of Conduct related to corruption were detected in 2020.

In 2021, we will continue to emphasize zero-tolerance of bribery and corruption in our organization.

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

The Svanehøj Group wants to be an inclusive workplace without discrimination. We hire new employees based solely on our best evaluation of their competence and experience. Gender, belief, age, nationality, ethnicity or sexual orientation are not relevant criteria when recruiting, and the Svanehøj Group aims to have a balanced split between genders.

The Svanehøj Group’s target is for a minimum 20% of the shareholder-elected board members to be female by the 2021 AGM. By the end of 2020 the actual number of shareholder-elected female board members were 1 in 5 board members. The minimum target of 20% was therefore met. Svanehøj Group made a revised target of having at least two shareholder-elected woman on the Board of Directors by 2023.

The female share of management positions from 1st line managers to CEO level was, by the end of 2020, 25% (5 out of 20) an increase from last year. 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.

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

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

Consolidated income statement for 2020

	Notes	2020 DKK'000	2018/19 DKK'000
Revenue	1	622,535	644,330
Production costs		(421,937)	(497,731)
Gross profit/loss		**200,598**	**146,599**
Distribution costs		(38,459)	(41,449)
Administrative expenses	2	(120,656)	(105,756)
Operating profit/loss		**41,483**	**(606)**
Other financial income	4	91	25
Other financial expenses	5	(7,452)	(5,163)
Profit/loss before tax		**34,122**	**(5,744)**
Tax on profit/loss for the year	6	(11,229)	(924)
Profit/loss for the year	7	**22,893**	**(6,668)**

Consolidated balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2018/19 DKK'000
Completed development projects	9	683	900
Acquired intangible assets		40,035	42,239
Goodwill		276,355	280,997
Intangible assets	8	**317,073**	**324,136**
Land and buildings		46,346	41,903
Plant and machinery		10,735	11,128
Other fixtures and fittings, tools and equipment		3,207	2,272
Property, plant and equipment in progress		0	743
Property, plant and equipment	10	**60,288**	**56,046**
Deposits		2,506	2,913
Fixed asset investments	11	**2,506**	**2,913**
Fixed assets		**379,867**	**383,095**

Raw materials and consumables		95,866	97,559
Work in progress		54,033	8,811
Manufactured goods and goods for resale		6,327	31,073
Inventories		**156,226**	**137,443**
Trade receivables		114,306	118,943
Deferred tax	12	0	913
Other receivables		1,869	6,975
Tax receivable		0	698
Prepayments	13	7,364	4,436
Receivables		**123,539**	**131,965**
Cash		**39,409**	**33,581**
Current assets		**319,174**	**302,989**
Assets		**699,041**	**686,084**

Equity and liabilities

	Notes	2020 DKK'000	2018/19 DKK'000
Contributed capital	14	35,553	35,553
Translation reserve		(9,622)	0
Reserve for fair value adjustments of hedging instruments		257	0
Retained earnings		340,234	314,300
Equity		**366,422**	**349,853**
Deferred tax	12	7,342	5,913
Other provisions	15	3,035	2,860
Provisions		**10,377**	**8,773**
Bank loans		89,193	0
Other payables	16	8,202	0
Non-current liabilities other than provisions	17	**97,395**	**0**
Current portion of non-current liabilities other than provisions	17	45,000	0
Bank loans		16,221	36,708
Prepayments received from customers		56,413	37,846
Contract work in progress		0	9,846
Trade payables		73,321	55,386
Tax payable		9,818	1,201
Other payables		24,074	186,471
Current liabilities other than provisions		**224,847**	**327,458**
Liabilities other than provisions		**322,242**	**327,458**
Equity and liabilities		**699,041**	**686,084**
Staff costs	3		
Financial instruments	19		
Fair value information	20		
Unrecognised rental and lease commitments	21		
Assets charged and collateral	22		
Transactions with related parties	23		
Subsidiaries	24		

Consolidated statement of changes in equity for 2020

	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	0	0	314,300	349,853
Exchange rate adjustments	0	(9,622)	0	0	(9,622)
Value adjustments	0	0	3,298	0	3,298
Transfer to reserves	0	0	(3,041)	3,041	0
Profit/loss for the year	0	0	0	22,893	22,893
Equity end of year	**35,553**	**(9,622)**	**257**	**340,234**	**366,422**

Consolidated cash flow statement for 2020

	Notes	2020 DKK'000	2018/19 DKK'000
Operating profit/loss		41,483	(606)
Amortisation, depreciation and impairment losses		28,382	31,442
Other provisions		0	258
Working capital changes	18	8,275	(30,129)
Cash flow from ordinary operating activities		**78,140**	**965**
Financial income received		91	25
Financial expenses paid		(7,452)	(5,163)
Taxes refunded/(paid)		(503)	(1,243)
Cash flows from operating activities		**70,276**	**(5,416)**
Acquisition etc. of intangible assets		0	(471)
Acquisition etc. of property, plant and equipment		(16,021)	(9,734)
Acquisition of enterprises		(13,440)	(493,227)
Cash flows from investing activities		**(29,461)**	**(503,432)**
Free cash flows generated from operations and investments before financing		**40,815**	**(508,848)**
Loans raised		135,000	217,154
Repayments of loans etc.		(169,987)	(31,246)
Cash capital increase		0	356,521
Cash flows from financing activities		**(34,987)**	**542,429**
Increase/decrease in cash and cash equivalents		**5,828**	**33,581**
Cash and cash equivalents beginning of year		33,581	0
Cash and cash equivalents end of year		**39,409**	**33,581**
Cash and cash equivalents at year-end are composed of:			
Cash		39,409	33,581
Cash and cash equivalents end of year		**39,409**	**33,581**

Notes to consolidated financial statements

1 Revenue

	2020 DKK'000	2018/19 DKK'000
Europe	245,419	274,588
Asia	311,314	252,820
Rest of the World	65,802	116,922
Total revenue by geographical market	**622,535**	**644,330**
New build	470,835	470,360
Aftersales	151,700	173,970
Total revenue by activity	**622,535**	**644,330**

2 Fees to the auditor appointed by the Annual General Meeting

	2020 DKK'000	2018/19 DKK'000
Statutory audit services	403	859
Other assurance engagements	233	4,533
Tax services	120	0
	756	**5,392**

3 Staff costs

	2020 DKK'000	2018/19 DKK'000
Wages and salaries	123,369	135,356
Pension costs	15,578	14,136
Other social security costs	2,761	2,446
	141,708	**151,938**

Average number of full-time employees	247	256

	Remuneration of management 2020 DKK'000	Remuneration of management 2018/19 DKK'000
Executive Board	3,948	4,727
Board of Directors	1,202	825
	5,150	**5,552**

Remuneration includes salary, bonus, pension and other benefits.

4 Other financial income

	2020 DKK'000	2018/19 DKK'000
Other interest income	91	25
	91	**25**

5 Other financial expenses

	2020 DKK'000	2018/19 DKK'000
Other interest expenses	6,712	5,163
Exchange rate adjustments	740	0
	7,452	**5,163**

6 Tax on profit/loss for the year

	2020 DKK'000	2018/19 DKK'000
Current tax	9,819	648
Change in deferred tax	1,406	276
Adjustment concerning previous years	4	0
	11,229	**924**

7 Proposed distribution of profit/loss

	2020 DKK'000	2018/19 DKK'000
Retained earnings	22,893	(6,668)
	22,893	**(6,668)**

8 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000
Cost beginning of year	1,301	45,801	298,404
Additions	0	986	10,284
Cost end of year	**1,301**	**46,787**	**308,688**
Amortisation and impairment losses beginning of year	(401)	(3,562)	(17,407)
Amortisation for the year	(217)	(3,190)	(14,926)
Amortisation and impairment losses end of year	**(618)**	**(6,752)**	**(32,333)**
Carrying amount end of year	**683**	**40,035**	**276,355**

9 Development projects

Completed development projects comprises development etc. of machinery and equipment with all of the Company's business areas. As of 31 December 2020 the carrying amount of completed development projects amounts to DKK 683k. The amortisation period for completed development projects is set to 5 years. Management has not identified any indication of impairment regarding the carrying amount of completed development projects.

10 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	46,775	9,081	3,240
Transfers	(1,068)	1,068	0
Additions	8,495	2,637	3,903
Cost end of year	**54,202**	**12,786**	**7,143**
Revaluations beginning of year	0	2,047	0
Reversal regarding disposals	0	(2,047)	0
Revaluations end of year	**0**	**0**	**0**
Depreciation and impairment losses beginning of year	(4,872)	0	(968)
Depreciation for the year	(2,984)	(2,051)	(2,968)
Depreciation and impairment losses end of year	**(7,856)**	**(2,051)**	**(3,936)**
Carrying amount end of year	**46,346**	**10,735**	**3,207**

11 Fixed asset investments

	Deposits DKK'000
Cost beginning of year	2,913
Disposals	(407)
Cost end of year	**2,506**
Carrying amount end of year	**2,506**

12 Deferred tax

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

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

13 Prepayments

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

14 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.

15 Other provisions

Other provisions contains provisions for warranty commitments.

16 Other payables

	2020 DKK'000	2018/19 DKK'000
Holiday pay obligation	8,202	0
	8,202	**0**

17 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000	Due after more than 12 months 2020 DKK'000	Outstanding after 5 years 2020 DKK'000
Bank loans	45,000	89,193	0
Other payables	0	8,202	8,202
	45,000	**97,395**	**8,202**

18 Changes in working capital

	2020 DKK'000	2018/19 DKK'000
Increase/decrease in inventories	(14,545)	3,423
Increase/decrease in receivables	8,417	(57,577)
Increase/decrease in trade payables etc.	14,403	30,902
Other changes	0	(6,877)
	8,275	**(30,129)**

19 Derivative financial instruments

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

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

20 Fair value information

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

21 Unrecognised rental and lease commitments

	2020 DKK'000	2018/19 DKK'000
Total liabilities under rental or lease agreements until maturity	**49,628**	**51,994**

22 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. Floating company charge and deposited mortgage deed is related to operating equipment and receivables at a carrying amount of DKK 175.851k.
Bank guarantee provided for customers of DKK 32.264k.

23 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.

24 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 2020

	Notes	2020 DKK'000	2018/19 DKK'000
Revenue	1	15,000	8,750
Gross profit/loss		**15,000**	**8,750**
Administrative expenses		(14,317)	(14,061)
Operating profit/loss		**683**	**(5,311)**
Income from investments in group enterprises		22,772	(2,451)
Other financial expenses	4	(528)	(96)
Profit/loss before tax		**22,927**	**(7,858)**
Tax on profit/loss for the year	5	(34)	1,190
Profit/loss for the year	6	**22,893**	**(6,668)**

Parent balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2018/19 DKK'000
Acquired intangible assets		850	0
Intangible assets	7	**850**	**0**
Property, plant and equipment in progress		0	746
Property, plant and equipment	8	**0**	**746**
Investments in group enterprises		353,827	337,379
Fixed asset investments	9	**353,827**	**337,379**
Fixed assets		**354,677**	**338,125**
Receivables from group enterprises		170,690	22,182
Joint taxation contribution receivable		30	1,300
Prepayments	10	793	501
Receivables		**171,513**	**23,983**
Cash		**441**	**726**
Current assets		**171,954**	**24,709**
Assets		**526,631**	**362,834**

Equity and liabilities

	Notes	2020 DKK'000	2018/19 DKK'000
Contributed capital		35,553	35,553
Reserve for net revaluation according to the equity method		13,997	0
Retained earnings		316,872	314,300
Equity		**366,422**	**349,853**
Deferred tax	11	174	110
Provisions		**174**	**110**
Bank loans		89,193	0
Non-current liabilities other than provisions	12	**89,193**	**0**
Current portion of non-current liabilities other than provisions	12	45,000	0
Payables to group enterprises		21,164	8,033
Other payables		4,678	4,838
Current liabilities other than provisions		**70,842**	**12,871**
Liabilities other than provisions		**160,035**	**12,871**
Equity and liabilities		**526,631**	**362,834**
Staff costs	2		
Amortisation, depreciation and impairment losses	3		
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Assets charged and collateral	15		
Related parties with controlling interest	16		
Transactions with related parties	17		

Parent statement of changes in equity for 2020

	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	0	314,300	349,853
Exchange rate adjustments	0	(9,604)	0	(9,604)
Other entries on equity	0	3,280	0	3,280
Transfer to reserves	0	(2,451)	2,451	0
Profit/loss for the year	0	22,772	121	22,893
Equity end of year	**35,553**	**13,997**	**316,872**	**366,422**

Notes to parent financial statements

1 Revenue

Revenue consist of management fee to subsidiaries.

2 Staff costs

	2020 DKK'000	2018/19 DKK'000
Wages and salaries	6,732	5,650
Pension costs	793	371
Other social security costs	16	0
	7,541	**6,021**

Average number of full-time employees	5	2

	Remuneration of management 2020 DKK'000	Remuneration of management 2018/19 DKK'000
Executive Board	395	4,727
Board of Directors	120	825
	515	**5,552**

Remuneration includes salary, bonus, pension and other benefits.

3 Depreciation, amortisation and impairment losses

	2020 DKK'000	2018/19 DKK'000
Amortisation of intangible assets	137	0
	137	**0**

4 Other financial expenses

	2020 DKK'000	2018/19 DKK'000
Other interest expenses	526	96
Exchange rate adjustments	2	0
	528	**96**

5 Tax on profit/loss for the year

	2020 DKK'000	2018/19 DKK'000
Current tax	(30)	0
Change in deferred tax	64	110
Refund in joint taxation arrangement	0	(1,300)
	34	**(1,190)**

6 Proposed distribution of profit and loss

	2020 DKK'000	2018/19 DKK'000
Retained earnings	22,893	(6,668)
	22,893	**(6,668)**

7 Intangible assets

	Acquired intangible assets DKK'000
Transfers	746
Additions	241
Cost end of year	**987**
Amortisation for the year	(137)
Amortisation and impairment losses end of year	**(137)**
Carrying amount end of year	**850**

8 Property, plant and equipment

	Property, plant and equipment in progress DKK'000
Cost beginning of year	746
Transfers	(746)
Cost end of year	**0**
Carrying amount end of year	**0**

9 Fixed asset investments

	Investments in group enterprises DKK'000
Cost beginning of year	339,830
Cost end of year	**339,830**
Transfers	13,997
Revaluations end of year	**13,997**
Impairment losses beginning of year	(2,451)
Exchange rate adjustments	(9,604)
Transfers	(13,997)
Share of profit/loss for the year	22,772
Other adjustments	3,280
Impairment losses end of year	**0**
Carrying amount end of year	**353,827**

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

10 Prepayments

Prepayments consists of prepaid insurance.

11 Deferred tax

	2020 DKK'000	2018/19 DKK'000
Other deductible temporary differences	174	110
Deferred tax	**174**	**110**

Changes during the year	2020 DKK'000	2018/19 DKK'000
Beginning of year	110	0
Recognised in the income statement	64	110
End of year	**174**	**110**

12 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000	Due after more than 12 months 2020 DKK'000
Bank loans	45,000	89,193
	45,000	**89,193**

Outstanding bank loans after 5 years are DKK 0.

13 Unrecognised rental and lease commitments

	2020 DKK'000	2018/19 DKK'000
Total liabilities under rental or lease agreements until maturity	**2,076**	**2,754**

14 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.

15 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 135.000k and the share in Svanehøj Holding A/S amount to DKK 353.809k.

Collateral provided for group enterprises

For the financial period ending 31 December 2020 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 36,809k at 31 December 2020.

16 Related parties with controlling interest

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

17 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.

Comparison figures are not directly comparable, since the current accounting periode comprises 12 months, wile the previous accounting period comprises 14 months.

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.

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

Production costs

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

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 income

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

Other financial expenses

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

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.

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

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

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

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

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

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.

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.

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.

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.

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.

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.