

## **Svanehøj Group A/S**

Fabriksparken 6  
9230 Svenstrup J  
CVR No. 39962349

### **Annual report 2023**

The Annual General Meeting adopted the annual report on 28.06.2024

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**Christina Borin**

Chair of the General Meeting

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# Entity details

## Entity

Svanehøj Group A/S

Fabriksparken 6

9230 Svenstrup J

Business Registration No.: 39962349

Registered office: Aalborg

Financial year: 01.01.2023 - 31.12.2023

## Board of Directors

Fernando Da Costa Roland, chairman

Michael John Savinelli

Lori Beth Marino

## Executive Board

Søren Kringelholt Nielsen, CEO

Christina Margareta Borin, 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 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023.

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

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

Svenstrup, 28.06.2024

## Executive Board

**Søren Kringelholt Nielsen**  
CEO

**Christina Margareta Borin**  
CFO

## Board of Directors

**Fernando Da Costa Roland**  
chairman

**Michael John Savinelli**

**Lori Beth Marino**

# 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 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, 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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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 Parent'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 by relevant law and regulations.

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

Aarhus, 28.06.2024

### Deloitte

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

### Henrik Vedel

State Authorised Public Accountant  
Identification No (MNE) mne10052

### Jakob Olesen

State Authorised Public Accountant  
Identification No (MNE) mne34492

# Management commentary

## Financial highlights

	2023	2022	2021	2020	2018/19
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Revenue	1,014,750	967,465	611,306	622,535	644,330
Gross profit/loss	335,926	289,346	177,438	190,117	146,599
Operating profit/loss	156,265	120,642	7,069	41,574	(606)
Net financials	(3,289)	(9,559)	(5,854)	(7,452)	(5,138)
Profit/loss for the year	115,540	84,021	(4,284)	22,893	(6,668)
Balance sheet total	951,925	861,375	786,259	699,043	686,084
Investments in property, plant and equipment	13,660	16,759	8,839	15,035	66,083
Equity	570,662	456,848	367,477	366,422	349,853
Cash flows from operating activities	117,694	110,435	128,497	70,276	(5,416)
Cash flows from investing activities	(64,433)	(23,187)	(7,213)	(29,461)	(503,432)
Cash flows from financing activities	(48,420)	(39,987)	(60,915)	(34,987)	542,429
<b>Ratios</b>					
Gross margin (%)	33.10	29.91	29.03	30.54	22.75
Net margin (%)	11.39	8.68	(0.70)	3.68	(1.03)
Return on equity (%)	22.49	20.39	(1.17)	6.39	(3.81)
Equity ratio (%)	59.95	53.04	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.



**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 ("Svanehøj Group", the "Group", or the "Company") is headquartered in Aalborg, Denmark and consists of two independent business entities, Svanehøj Danmark A/S and Hamworthy Pumps Singapore PTE Ltd. The Group designs and manufactures market-leading pump solutions, facilitating the usage of cleaner energy sources in the hard-to-abate sectors. Svanehøj Group has a long and rich history and has been in the marine market for over 100 years, with leading products used in mission-critical applications in which safety, operational performance, and fast aftermarket service response times and spare parts are critical. The Group's activities are primarily carried out by its subsidiaries Svanehøj Danmark and Hamworthy Pumps. These are directed from the HQ in Aalborg (Denmark) and the main sites in Singapore, Kobe (Japan), Poole and Newcastle (UK), Suzhou (China), Frederikshavn (Denmark), and Calais (France), supported by sales representation across all major markets.

## Svanehøj Denmark

Svanehøj Danmark A/S ("Svanehøj") is headquartered in Aalborg, Denmark. Svanehøj designs and manufactures specialized deepwell and submerged pumps for vital applications within fuel, cargo, and offshore, as well as high-end tank measuring systems for LNG and LPG on vessels and land-based terminals. Svanehøj is also a full-scope provider of inspection, service, and calibration of cargo containment systems on tankers.

Svanehøj's mission is to help power a better future by offering solutions and services that support a rapid transition to renewable energy in the hard-to-abate sectors. At least 95% of Svanehøj's R&D budget is invested in solutions and products that support the Company's mindset of "Powering a better future".

Firmly placed at the forefront of innovation, we believe Svanehøj is set to benefit from several growth drivers including the green energy transition and the increase in international gas trade. Svanehøj's future-proof fuel pump systems epitomize its cutting-edge technological capabilities and are fully compatible with LNG, bio-LNG, LPG, and power-to-x fuels such as green ammonia, methanol, and hydrogen. Additionally, Svanehøj's cargo pumps for liquified gas are designed for power-to-x fuels and are already used for ammonia and liquid CO<sub>2</sub>, making it well positioned for the emerging carbon capture & storage market with orders received both in 2022 and 2023.

## Hamworthy Pumps

With over 100 years of market experience, Hamworthy Pumps is renowned for its high-quality systems for mission critical pump solutions and comprehensive aftermarket offering to its large installed base. The rebound in global shipping and increased activity in the energy sector plays to Hamworthy Pumps' strengths. The product portfolio includes a wide range of fire water pump packages, seawater lift pumps, cargo offloading pumps, engine room systems, pump room systems, and auxiliary pumps. Hamworthy Pumps is a long-established supplier to several Western navies, offering highly specialized pump solutions, with significant installed base across navy vessels in the UK, USA, Canada, and the Netherlands, among others.

## Development in activities and finances

In 2023, Svanehøj Group built on its strong performance and high level of activity seen in 2022. The Group achieved a revenue of DKK 1,015 million in 2023 against DKK 967 million in 2022, and an EBITDA of DKK 191 million in 2023 against DKK 146 million in 2022.

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

### **Profit/loss for the year in relation to expected developments**

Going into 2023, Svanehøj Group anticipated continued growth and an EBITDA before non-recurring items, in the range of DKK 200-220 million. These expectations were satisfactorily met.

### **Outlook**

We believe Svanehøj Group holds a promising long-term growth outlook, primarily driven by its role in advancing the energy transition within the marine industry. This is supported by its class-leading product portfolio and aftermarket business within cryogenic solutions for liquified gas. Furthermore, we believe Svanehøj's strong market position will enable increased access to the emerging Power-To-X and Carbon Capture & Storage markets.

For 2024, Svanehøj Group expects an EBITDA in the range of DKK 220-230 million in accordance with the Danish Financial Statements Act and prior to any US GAAP adjustments required as a result of the takeover from ITT Inc. after the balance sheet date.

### **Particular risks**

Due to its global activities, Svanehøj Group's profit and equity are exposed to exchange rate fluctuations across several currencies. The Group's policy is 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 Group does not enter forward exchange contracts for speculative purposes.

### **Knowledge resources**

Svanehøj Group's business objective is to develop and supply high-technology products and services. This involves specific requirements regarding intellectual capital, product development, sales, and order processing. In 2023, the overall recruitment and retention of qualified staff was satisfactory. 87 new colleagues joined Svanehøj Group in 2023, and the employee turnover rate was 21%.

### **Environmental performance**

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

### **Research and development activities**

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

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

### **Group relations**

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

### **Statutory report on corporate social responsibility**

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

## Statutory report on the underrepresented gender

**2023**

### Supreme management body

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

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

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

**2023**

### Other management levels

Total number of members	2
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The Company is exempt from providing information on targets and policies for the underrepresented gender for other management levels as the parent company has fewer than 50 employees.

## Statutory report on data ethics policy

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

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

## Events after the balance sheet date

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

In connection with the divestment of Svanehøj Group, 583,470 warrants have been exercised as of 12 January 2024. Correspondingly, a capital increase of nominally DKK 583,470 has been registered. The warrant holders were entitled to exercise warrants at a rate of DKK 1,489.6 per warrant.

# Consolidated income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Revenue	2	1,014,750	967,465
Production costs		(678,824)	(678,119)
<b>Gross profit/loss</b>		<b>335,926</b>	<b>289,346</b>
Distribution costs		(58,391)	(74,284)
Administrative expenses	3	(124,056)	(99,124)
Other operating income		2,786	4,704
<b>Operating profit/loss</b>		<b>156,265</b>	<b>120,642</b>
Other financial income	6	2,341	83
Other financial expenses	7	(5,630)	(9,642)
<b>Profit/loss before tax</b>		<b>152,976</b>	<b>111,083</b>
Tax on profit/loss for the year	8	(37,436)	(27,062)
<b>Profit/loss for the year</b>	9	<b>115,540</b>	<b>84,021</b>

# Consolidated balance sheet at 31.12.2023

## Assets

	Notes	2023 DKK'000	2022 DKK'000
Completed development projects	11	21,874	7,583
Acquired intangible assets		49,113	32,793
Goodwill		239,428	244,501
<b>Intangible assets</b>	10	<b>310,415</b>	<b>284,877</b>
Land and buildings		42,542	44,588
Plant and machinery		33,504	25,011
Other fixtures and fittings, tools and equipment		3,368	1,700
<b>Property, plant and equipment</b>	12	<b>79,414</b>	<b>71,299</b>
Deposits		159	159
<b>Financial assets</b>	13	<b>159</b>	<b>159</b>
<b>Fixed assets</b>		<b>389,988</b>	<b>356,335</b>
Raw materials and consumables		160,784	143,848
Work in progress		76,978	100,068
Manufactured goods and goods for resale		14,273	3,508
Prepayments for goods		6,190	0
<b>Inventories</b>		<b>258,225</b>	<b>247,424</b>
Trade receivables		109,219	90,781
Other receivables		40,976	8,194
Tax receivable		78	0
Prepayments	14	3,633	11,602
<b>Receivables</b>		<b>153,906</b>	<b>110,577</b>
<b>Cash</b>		<b>149,806</b>	<b>147,039</b>
<b>Current assets</b>		<b>561,937</b>	<b>505,040</b>
<b>Assets</b>		<b>951,925</b>	<b>861,375</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2023</b> <b>DKK'000</b>	<b>2022</b> <b>DKK'000</b>
Contributed capital	15	35,553	35,553
Translation reserve		(370)	1,356
Retained earnings		435,479	419,939
Proposed dividend for the financial year		100,000	0
<b>Equity</b>		<b>570,662</b>	<b>456,848</b>
Deferred tax	16	14,294	8,702
Other provisions	17	5,703	4,590
<b>Provisions</b>		<b>19,997</b>	<b>13,292</b>
Lease liabilities		2,044	3,030
Other payables		11,546	0
<b>Non-current liabilities other than provisions</b>	18	<b>13,590</b>	<b>3,030</b>
Current portion of non-current liabilities other than provisions	18	854	45,824
Bank loans		31	2,495
Prepayments received from customers		162,103	170,132
Trade payables		102,094	107,089
Tax payable		32,377	19,416
Other payables	19	50,217	43,249
<b>Current liabilities other than provisions</b>		<b>347,676</b>	<b>388,205</b>
<b>Liabilities other than provisions</b>		<b>361,266</b>	<b>391,235</b>
<b>Equity and liabilities</b>		<b>951,925</b>	<b>861,375</b>
Events after the balance sheet date	1		
Staff costs	4		
Amortisation, depreciation and impairment losses	5		
Unrecognised rental and lease commitments	21		
Assets charged and collateral	22		
Non-arm's length related party transactions	23		
Subsidiaries	24		

# Consolidated statement of changes in equity for 2023

	Contributed capital DKK'000	Translation reserve DKK'000	Retained earnings DKK'000	Proposed dividend for the financial year DKK'000	Total DKK'000
Equity beginning of year	35,553	1,356	419,939	0	456,848
Transfer to reserves	0	(1,726)	0	0	(1,726)
Profit/loss for the year	0	0	15,540	100,000	115,540
<b>Equity end of year</b>	<b>35,553</b>	<b>(370)</b>	<b>435,479</b>	<b>100,000</b>	<b>570,662</b>



# Consolidated cash flow statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Operating profit/loss		156,265	120,642
Amortisation, depreciation and impairment losses		34,445	27,901
Working capital changes	20	(48,863)	(25,957)
<b>Cash flow from ordinary operating activities</b>		<b>141,847</b>	<b>122,586</b>
Financial income received		1,147	83
Financial expenses paid		(5,564)	(9,642)
Taxes refunded/(paid)		(19,736)	(2,592)
<b>Cash flows from operating activities</b>		<b>117,694</b>	<b>110,435</b>
Acquisition etc. of intangible assets		(17,285)	(6,428)
Acquisition etc. of property, plant and equipment		(13,660)	(16,759)
Acquisition of enterprises		(33,488)	0
<b>Cash flows from investing activities</b>		<b>(64,433)</b>	<b>(23,187)</b>
<b>Free cash flows generated from operations and investments before financing</b>		<b>53,261</b>	<b>87,248</b>
Repayments of loans etc.		(48,420)	(39,987)
<b>Cash flows from financing activities</b>		<b>(48,420)</b>	<b>(39,987)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>4,841</b>	<b>47,261</b>
Cash and cash equivalents beginning of year		147,039	99,778
Currency translation adjustments of cash and cash equivalents		(2,074)	0
<b>Cash and cash equivalents end of year</b>		<b>149,806</b>	<b>147,039</b>
Cash and cash equivalents at year-end are composed of:			
Cash		149,806	147,039
<b>Cash and cash equivalents end of year</b>		<b>149,806</b>	<b>147,039</b>

# Notes to consolidated financial statements

## 1 Events after the balance sheet date

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

In connection with the divestment of Svanehøj Group, 583,470 warrants have been exercised as of 12 January 2024. Correspondingly, a capital increase of nominally DKK 583,470 has been registered. The warrant holders were entitled to exercise warrants at a rate of DKK 1,489.6 per warrant.

## 2 Revenue

	2023 DKK'000	2022 DKK'000
Europe	444,001	518,704
Asia	239,476	177,289
Rest of the World	331,273	271,472
<b>Total revenue by geographical market</b>	<b>1,014,750</b>	<b>967,465</b>
New build	595,406	679,514
Aftersales	419,344	287,951
<b>Total revenue by activity</b>	<b>1,014,750</b>	<b>967,465</b>

## 3 Fees to the auditor appointed by the Annual General Meeting

	2023 DKK'000	2022 DKK'000
Statutory audit services	484	428
Other assurance engagements	295	0
Tax services	1,169	342
Other services	589	292
	<b>2,537</b>	<b>1,062</b>

#### 4 Staff costs

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Wages and salaries	197,453	172,854
Pension costs	19,311	18,852
Other social security costs	4,094	3,930
	<b>220,858</b>	<b>195,636</b>
Average number of full-time employees	<b>360</b>	<b>334</b>

	<b>Remuneration of Manage- ment 2023</b>	<b>Remuneration of Manage- ment 2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Executive Board	5,910	5,552
Board of Directors	2,100	1,350
	<b>8,010</b>	<b>6,902</b>

#### Special incentive programmes

Svanehøj Group A/S has established an Incentive Programme for the Executive Board and the Board of Directors as well as selected key employees. The participants have purchased shares and warrants. Certain warrants have been issued free of charge.

The warrants which have been purchased were priced using the Black Scholes Valuation Methodology. Each warrant gives its holder the right to purchase one share at determined terms. The warrant programme contains 2,062,527 outstanding warrants. The warrants can be exercised when Svanehøj Group is divested or during the following defined periods; 1,271,127 warrants during the period 1 April 2024 - 30 April 2024 and 791,400 warrants during the period 1 April 2026 - 30 April 2026.

In connection with the divestment of Svanehøj Group, 583,470 warrants have been exercised as per 12 January 2024. Correspondingly, a capital increase of nominally DKK 583,470 has been registered. The warrant holders were entitled to exercise warrants at a rate of DKK 1,489.6 per warrant.

The value of the share-based scheme is not recorded as a liability in the financial statements, as it is an equity-based scheme.

#### 5 Depreciation, amortisation and impairment losses

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Amortisation of intangible assets	24,451	20,868
Depreciation on property, plant and equipment	9,561	4,355
Impairment losses on property, plant and equipment	433	0
	<b>34,445</b>	<b>25,223</b>

## 6 Other financial income

	2023 DKK'000	2022 DKK'000
Other interest income	1,147	83
Exchange rate adjustments	1,194	0
	<b>2,341</b>	<b>83</b>

## 7 Other financial expenses

	2023 DKK'000	2022 DKK'000
Other interest expenses	5,260	3,771
Exchange rate adjustments	66	5,506
Other financial expenses	304	365
	<b>5,630</b>	<b>9,642</b>

## 8 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Current tax	36,140	21,797
Change in deferred tax	976	5,331
Adjustment concerning previous years	320	(66)
	<b>37,436</b>	<b>27,062</b>

## 9 Proposed distribution of profit/loss

	2023 DKK'000	2022 DKK'000
Ordinary dividend for the financial year	100,000	0
Retained earnings	15,540	84,021
	<b>115,540</b>	<b>84,021</b>

## 10 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000
Cost beginning of year	9,211	42,070	308,689
Additions	16,874	21,411	11,704
<b>Cost end of year</b>	<b>26,085</b>	<b>63,481</b>	<b>320,393</b>
Amortisation and impairment losses beginning of year	(1,628)	(9,277)	(64,188)
Amortisation for the year	(2,583)	(5,091)	(16,777)
<b>Amortisation and impairment losses end of year</b>	<b>(4,211)</b>	<b>(14,368)</b>	<b>(80,965)</b>
<b>Carrying amount end of year</b>	<b>21,874</b>	<b>49,113</b>	<b>239,428</b>

## 11 Development projects

Completed development projects comprise development etc. of machinery and equipment within all of the Company's business areas. As of 31 December 2023, the carrying amount of completed development projects amounts to DKK 21.874 thousand. The amortisation period for completed development projects is set to be 5 years. Management has not identified any indication of impairment regarding the carrying amount of completed development projects.

## 12 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	59,142	28,506	9,647
Additions	925	10,102	2,633
Disposals	0	(9,231)	(562)
<b>Cost end of year</b>	<b>60,067</b>	<b>29,377</b>	<b>11,718</b>
Depreciation and impairment losses beginning of year	(14,554)	(3,495)	(7,947)
Exchange rate adjustments	610	3,840	0
Impairment losses for the year	(433)	0	0
Depreciation for the year	(3,148)	(5,448)	(965)
Reversal regarding disposals	0	9,231	562
<b>Depreciation and impairment losses end of year</b>	<b>(17,525)</b>	<b>4,128</b>	<b>(8,350)</b>
<b>Carrying amount end of year</b>	<b>42,542</b>	<b>33,505</b>	<b>3,368</b>
Recognised assets not owned by Entity	0	3,820	0

## 13 Financial assets

	Deposits DKK'000
Cost beginning of year	159
<b>Cost end of year</b>	<b>159</b>
<b>Carrying amount end of year</b>	<b>159</b>

## 14 Prepayments

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

## 15 Contributed capital

	Number	Par value DKK'000	Nominal value DKK'000
Shares	35,552,854	0.001	35,553
	<b>35,552,854</b>		<b>35,553</b>

No shares confer any special rights or privileges on the holder.

**16 Deferred tax**

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Intangible assets	9,397	2,274
Property, plant and equipment	6,444	5,943
Inventories	935	3,130
Receivables	(87)	(209)
Provisions	(2,869)	(133)
Liabilities other than provisions	474	447
Tax losses carried forward	0	(2,750)
<b>Deferred tax</b>	<b>14,294</b>	<b>8,702</b>

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>Changes during the year</b>		
Beginning of year	8,702	3,371
Recognised in the income statement	976	5,331
Additions from business combinations	4,616	0
<b>End of year</b>	<b>14,294</b>	<b>8,702</b>

**17 Other provisions**

Other provisions contain provisions for warranty commitments.

**18 Non-current liabilities other than provisions**

	<b>Due within 12</b>	<b>Due within 12</b>	<b>Due after</b>
	<b>months</b>	<b>months</b>	<b>more than 12</b>
	<b>2023</b>	<b>2022</b>	<b>2023</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
Bank loans	0	45,000	0
Lease liabilities	854	824	2,044
Other payables	0	0	11,546
	<b>854</b>	<b>45,824</b>	<b>13,590</b>

Lease and other liabilities due after more than 5 years is DKK 0.

**19 Other payables**

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
VAT and duties	885	1,405
Wages and salaries, personal income taxes, social security costs, etc. payable	12,436	7,711
Holiday pay obligation	9,590	14,913
Other costs payable	27,306	19,220
	<b>50,217</b>	<b>43,249</b>

**20 Changes in working capital**

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Increase/decrease in inventories	(10,801)	(50,973)
Increase/decrease in receivables	(43,251)	18,406
Increase/decrease in trade payables etc.	5,189	6,610
	<b>(48,863)</b>	<b>(25,957)</b>

**21 Unrecognised rental and lease commitments**

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Total liabilities under rental or lease agreements until maturity	<b>48,330</b>	<b>49,289</b>

**22 Assets charged and collateral**

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on land and properties of DKK 12.000 thousand nominal. The carrying amount of mortgaged land and properties amounts to DKK 34.084 thousand. The registered land and properties remain in the Group's possession.

Bank debt is secured by way of floating company charge for DKK 45,000 thousand in Svanehøj Danmark A/S. The floating charge is secured on operating fixtures and fittings, operating equipment, development projects, goodwill, domain rights and trademarks, receivables and inventory stock and unsecured claims at a carrying amount of DKK 213,006 thousand.

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

**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

	<b>Registered in</b>	<b>Corporate form</b>	<b>Ownership %</b>
Svanehøj Holding A/S	Denmark	A/S	100.00
Svanehøj Danmark A/S	Denmark	A/S	100.00
Hamworthy Pumps Singapore Pte. Ltd.	Singapore	Ltd.	100.00
Hamworthy Pumps Limited	England	Ltd.	100.00
Svanehøj Japan LLC	Japan	LLC	100.00
Svanehøj France	France	SARL-S	100.00
Svanehøj Property	France	SARL-S	100.00
Svanehøj China Co., Ltd.	China	Ltd.	100.00



# Parent income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Revenue	2	25,390	16,889
<b>Gross profit/loss</b>		<b>25,390</b>	<b>16,889</b>
Administrative expenses	3	(38,370)	(23,484)
<b>Operating profit/loss</b>		<b>(12,980)</b>	<b>(6,595)</b>
Income from investments in group enterprises		128,877	91,463
Other financial income	6	1,496	0
Other financial expenses	7	(3,751)	(2,580)
<b>Profit/loss before tax</b>		<b>113,642</b>	<b>82,288</b>
Tax on profit/loss for the year	8	1,898	1,733
<b>Profit/loss for the year</b>	9	<b>115,540</b>	<b>84,021</b>

# Parent balance sheet at 31.12.2023

## Assets

	Notes	2023 DKK'000	2022 DKK'000
Acquired intangible assets		0	192
<b>Intangible assets</b>	10	<b>0</b>	<b>192</b>
Investments in group enterprises		585,917	458,766
<b>Financial assets</b>	11	<b>585,917</b>	<b>458,766</b>
<b>Fixed assets</b>		<b>585,917</b>	<b>458,958</b>
Receivables from group enterprises		64,875	128,089
Joint taxation contribution receivable		5,112	4,199
Prepayments	12	210	2,180
<b>Receivables</b>		<b>70,197</b>	<b>134,468</b>
<b>Cash</b>		<b>1,000</b>	<b>401</b>
<b>Current assets</b>		<b>71,197</b>	<b>134,869</b>
<b>Assets</b>		<b>657,114</b>	<b>593,827</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2023</b> <b>DKK'000</b>	<b>2022</b> <b>DKK'000</b>
Contributed capital		35,553	35,553
Reserve for net revaluation according to equity method		246,087	118,936
Retained earnings		189,022	302,359
Proposed dividend for the financial year		100,000	0
<b>Equity</b>		<b>570,662</b>	<b>456,848</b>
Deferred tax	13	0	42
<b>Provisions</b>		<b>0</b>	<b>42</b>
Current portion of non-current liabilities other than provisions	14	0	45,000
Trade payables		1,667	0
Payables to group enterprises		78,627	80,558
Other payables		6,158	11,379
<b>Current liabilities other than provisions</b>		<b>86,452</b>	<b>136,937</b>
<b>Liabilities other than provisions</b>		<b>86,452</b>	<b>136,937</b>
<b>Equity and liabilities</b>		<b>657,114</b>	<b>593,827</b>
Events after the balance sheet date	1		
Staff costs	4		
Amortisation, depreciation and impairment losses	5		
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Assets charged and collateral	17		
Related parties with controlling interest	18		
Non-arm's length related party transactions	19		

# Parent statement of changes in equity for 2023

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend for the year DKK'000	Total DKK'000
Equity beginning of year	35,553	118,936	302,359	0	456,848
Exchange rate adjustments	0	(1,726)	0	0	(1,726)
Transfer to reserves	0	128,877	(128,877)	0	0
Profit/loss for the year	0	0	15,540	100,000	115,540
<b>Equity end of year</b>	<b>35,553</b>	<b>246,087</b>	<b>189,022</b>	<b>100,000</b>	<b>570,662</b>

# Notes to parent financial statements

## 1 Events after the balance sheet date

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

In connection with the divestment of Svanehøj Group, 583,470 warrants have been exercised as per 12 January 2024. Correspondingly, a capital increase of nominally DKK 583,470 has been registered. The warrant holders were entitled to exercise warrants at a rate of DKK 1,489.6 per warrant.

## 2 Revenue

Revenue consists of management fee to subsidiaries.

## 3 Fees to the auditor appointed by the Annual General Meeting

	2023 DKK'000	2022 DKK'000
Statutory audit services	226	161
Other assurance engagements	295	0
Tax services	222	278
Other services	215	76
	<b>958</b>	<b>515</b>

## 4 Staff costs

	2023 DKK'000	2022 DKK'000
Wages and salaries	12,876	8,274
Pension costs	1,085	942
Other social security costs	26	18
	<b>13,987</b>	<b>9,234</b>
Average number of full-time employees	8	5

	Remuneration of Manage- ment 2023 DKK'000	Remuneration of Manage- ment 2022 DKK'000
Executive Board	2,955	2,776
Board of Directors	1,875	1,125
	<b>4,830</b>	<b>3,901</b>

### Special incentive programmes

Svanehøj Group A/S has established an Incentive Programme for the Executive Board and the Board of Directors as well as selected key employees. The participants have purchased shares and warrants. Certain warrants have been issued free of charge.

The warrants which have been purchased were priced using the Black Scholes Valuation Methodology. Each warrant gives its holder the right to purchase one share at determined terms. The warrant programme contains 2,062,527 outstanding warrants. The warrants can be exercised when Svanehøj Group is divested or during the following defined periods; 1,271,127 warrants during the period 1 April 2024 - 30 April 2024 and 791,400 warrants during the period 1 April 2026 - 30 April 2026.

In connection with the divestment of Svanehøj Group, 583,470 warrants have been exercised as of 12 January 2024. Correspondingly, a capital increase of nominally DKK 583,470 has been registered. The warrant holders were entitled to exercise warrants at a rate of DKK 1,489.6 per warrant.

The value of the share-based scheme is not recorded as a liability in the financial statements, as it is an equity-based scheme.

### 5 Depreciation, amortisation and impairment losses

	2023 DKK'000	2022 DKK'000
Amortisation of intangible assets	192	329
	<b>192</b>	<b>329</b>

### 6 Other financial income

	2023 DKK'000	2022 DKK'000
Financial income from group enterprises	1,480	0
Exchange rate adjustments	16	0
	<b>1,496</b>	<b>0</b>

### 7 Other financial expenses

	2023 DKK'000	2022 DKK'000
Financial expenses from group enterprises	2,615	0
Other interest expenses	1,136	2,580
	<b>3,751</b>	<b>2,580</b>

### 8 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Change in deferred tax	(42)	(65)
Adjustment concerning previous years	0	(61)
Refund in joint taxation arrangement	(1,856)	(1,607)
	<b>(1,898)</b>	<b>(1,733)</b>

## 9 Proposed distribution of profit and loss

	2023	2022
	DKK'000	DKK'000
Ordinary dividend for the financial year	100,000	0
Retained earnings	15,540	84,021
	<b>115,540</b>	<b>84,021</b>

## 10 Intangible assets

	Acquired intangible assets DKK'000
Cost beginning of year	987
<b>Cost end of year</b>	<b>987</b>
Amortisation and impairment losses beginning of year	(795)
Amortisation for the year	(192)
<b>Amortisation and impairment losses end of year</b>	<b>(987)</b>
<b>Carrying amount end of year</b>	<b>0</b>

## 11 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	339,830
<b>Cost end of year</b>	<b>339,830</b>
Revaluations beginning of year	118,936
Exchange rate adjustments	(1,726)
Share of profit/loss for the year	128,877
<b>Revaluations end of year</b>	<b>246,087</b>
<b>Carrying amount end of year</b>	<b>585,917</b>

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

## 12 Prepayments

Prepayments consists of prepaid insurance.

## 13 Deferred tax

	2023	2022
	DKK'000	DKK'000
Other deductible temporary differences	0	42
<b>Deferred tax</b>	<b>0</b>	<b>42</b>

	<b>2023</b>	<b>2022</b>
<b>Changes during the year</b>	<b>DKK'000</b>	<b>DKK'000</b>
Beginning of year	42	107
Recognised in the income statement	(42)	(65)
<b>End of year</b>	<b>0</b>	<b>42</b>

#### 14 Non-current liabilities other than provisions

	<b>Due within 12 months 2022 DKK'000</b>
Bank loans	45,000
	<b>45,000</b>

#### 15 Unrecognised rental and lease commitments

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Total liabilities under rental or lease agreements until maturity	<b>462</b>	<b>0</b>

#### 16 Contingent liabilities

Svanehøj Group A/S 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.

#### 17 Assets charged and collateral

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 0 and the share in Svanehøj Holding A/S amount to DKK 585,917 thousand.

#### Collateral provided for group enterprises

For the financial period ending 31 December 2023, 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 be exempted 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 3 thousand at 31 December 2023.

#### 18 Related parties with controlling interest

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

#### 19 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.

## Income statement

### Revenue

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

### Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease 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.

### 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 as administrative expenses.

### Other operating income

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

### Income from investments in group enterprises

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

### Other financial income

Other financial income comprises, 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 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 a separate asset. Useful lives are reassessed annually. The amortisation periods used are 10-20 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:

	<b>Useful life</b>
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 10-20 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.

**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.

**Dividend**

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

**Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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

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.

**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.

**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.