Wärtsilä Lyngsø Marine A/S

Lyngsø Allé 3

CVR no. 63053112

Annual report 2018

The annual report was presented and approved at the Company's annual general meeting

on June 26 20 19

chairman of the annual general meeting

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Wärtsilä Lyngsø Marine A/S for the financial year 1 January – 31 December 2018.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations in 2018.

We recommend that the annual report be approved at the annual general meeting.

Hørsholm, 18 June 2019

Executive Board:

Kjeld Dittmann

Board of Directors:

Maik Stövhase Chairman	Dennis Vagt	Kjeld Dittmann

Independent auditor's report

To the shareholders of WÄRTSILÄ LYNGSØ MARINE A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018, and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of WÄRTSILÄ LYNGSØ MARINE A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilites for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Hellerup, 18 June 2019
Pricewaterhousecoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33771231

Bo Schou-Jacobsen
State Authorised
Public Accountant
mne28703

Management's review

Company details

Wärtsilä Lyngsø Marine A/S
Lyngsø Allé 3

Telephone:	+4545166200
Website:	www.wartsila.com/lyngsoe.com
CVR no.	63053112
Established:	9 July 1947
Registered office:	Hørsholm
Financial year:	1 January – 31 December

Board of Directors

Maik Stövhase

Dennis Vagt

Kjeld Dittmann

Executive Board

Kjeld Dittmann

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33771231

Annual general meeting

The annual general meeting will be held on 21 June 2019.

Management's review

Financial highlights

DKKm	2018	2017	2016	2015	2014
Revenue	179	239	242	200	173
Gross margin	80	76	74	67	66
Ordinary operating profit/loss	34	30	29	22	25
Profit/loss from financial income and expenses	1	-1	-2	1	1
Profit/loss for the year	27	22	21	17	19
Total assets	112	134	142	123	130
Equity	61	58	63	62	54
Gross margin	44,6%	31.7%	30.5%	33.5%	38.4
Profit margin	19%	12.5%	11.9%	11.1%	14.4%
Return on assets	30,4%	22.3%	20.4%	18.0%	19.1%
Solvency ratio	54,5%	42.9%	44.7%	50.1%	41.7%
Return of equity	44,8%	36.8%	33.6%	29.5%	35.6%
Average number of full-time employees	61	59	61	61	60

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Gross margin $$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

Profit margin $$\frac{\text{Result before financial items x 100}}{\text{Revenue}}$$

Return on assets $$\frac{\text{Result before financial items x 100}}{\text{Total assets}}$$

Solvency ratio $$\frac{\text{Stakeholders Equity x 100}}{\text{Total assets}}$$

Return on equity $$\frac{\text{Net profit of the year x 100}}{\text{Average equity}}$$

Management's review

Operating review

Principal activities

The products of Wärtsilä Lyngsø Marine A/S, i.e. advanced marine automation, navigation systems and communication equipment, fit well into the strategic concept of Wärtsilä, and significant synergies exist between the two organisations.

Review of activities and financial status during 2018

Wärtsilä Lyngsø Marine A/S is developing, marketing and maintaining automation, navigation and communication solutions for the merchant fleet and the navy.

- The year 2018 was business wise a good year, with focus on sales to the Southern Asian and East European countries.
- Net sales TDKK 179,447 in 2018 has decreased by 25% compared to 2017. Profit margin 21,7% in 2018 has increased from 12,5% in 2017. With a difficult market situation we consider the increase very satisfactory.
- The result of the year 2018 is very satisfactory and better than expected, as the Company has performed a result of TDKK 34,504 before tax.

Prospects for the future

The shipbuilding market is being challenged by over capacity and the Ship Yards struggle for obtaining financing.

This situation makes it absolutely necessary for suppliers to the shipbuilding industry to be extremely competitive. Wärtsilä Lyngsø Marine A/S will still be active in the markets in South East Asia where a good profit possibility is expected in the future. Wärtsilä Lyngsø Marine will continue to focus on efficiency and a flexible organisation as well as a product portfolio of high quality, dependability and performance at competitive prices.

The company's financial position is assessed to be full adequate to secure the Company's market position and the continuing development hereof.

Particular risks

The general risk is related to demand for new vessels on the markets where the company operates and the shipowner's level of maintenance for vessels in use. The low freight rates can on short term delay the maintenance work for vessels in use.

The financial risks are considered to be low due to the equity ratio and the financial resources. The company is exposed to currency risks particularly in relation to transactions in USD. The company uses derivative financial instruments for hedging of financial risks in connection with operating activities.

Management's review

Operating review

Development in activities and financial position

The company is part of the Group development activities. To secure the Company's position, the high activity level in the Research and Development Department was maintained.

Intellectual capital resources

It is essential for the company to attract and remain highly skilled employees with the special skills needed for service-, project- and development tasks. With retraining and on job project training the level of skills develop on a current basis. There is generally a high seniority in the company which secures the necessary skills to be available.

Environmental performance

Large long distance deliveries are primarily forwarded by sea. Air freight is normally only used when delivery by sea is not possible. Apart from long distance deliveries the company do not have significant environmental activities.

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Income statement

DKK'000	Note	2018	2017
Revenue		179,447	238,968
Changes in stocks of finished goods		-9.063	2,227
Other operating income		701	260
Cost of raw materials and consumables		-55,422	-111,405
Other external costs		-35,657	-54,343
Gross profit/loss		80,006	75,707
Staff costs	2	-45,892	-45,181
Depreciation on intangible and tangible fixed assets		-471	-590
Operating profit/loss		33,643	29,936
Income from investments in subsidiaries		0	-17
Financial income	3	2,591	87
Financial expenses	4	-1,730	-1,406
Profit/loss before tax		34,504	28,600
Tax on profit/loss for the year	5	-7,655	-6,358
Profit/loss for the year		26,849	22,242

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2018	2017
ASSETS			
Fixed assets			
Intangible assets			
Software	7	223	299
Property, plant and equipment			
Production equipment and machinery		598	819
Leasehold improvements		652	381
	8	1,250	1,200
Financial assets			
Deposits	9	585	585
		585	585
Total fixed assets		2,058	2,084
Current assets			
Inventories	10	22,368	32,552
Receivables			
Trade receivables		18,897	20,648
Work in progress	11	5,131	3,039
Receivables from group entities		57,057	67,192
Other receivables		1,645	1,671
Deferred tax asset	12	2,558	3,878
Prepayments		1,914	3,369
		87,202	99,797
Total current assets		109,570	132,349
TOTAL ASSETS		111,628	134,433

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Share capital		16,000	16,000
Retained earnings		21,167	18,637
Proposed dividends for the financial year		24,000	23,000
Total equity		61,167	57,637
Provisions			
Other provisions	13	8,597	15,728
Liabilities other than provisions			
Trade payables		11,987	29,655
Payables to group entities		4,464	5,206
Prepayments from customers		14,335	2,810
Company tax		1,490	682
Other payables		6,583	8,590
Deferred income		3,005	14,125
Total liabilities other than provisions		41,864	61,068
TOTAL EQUITY AND LIABILITIES		111,628	134,433

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Statement of changes in equity

DKK'000	Share capital	Retained earnings	Proposed dividend	Total
Balance at 1 January 2018	16,000	18,637	23,000	57,637
Distributed dividend	0	0	-23,000	-23,000
Change of hedge contracts after tax	0	-319	0	-319
Profit for the year	0	2,849	24,000	26,849
Balance at 31 December 2018	16,000	21,167	24,000	61,167

Contributed capital

The contributed capital consists of:

A shares, 16,000 shares of nom. DKK 1,000 each.

Financial statements 1 January – 31 December

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1 Accounting policies

The annual report of Wärtsilä Lyngsø Marine A/S for 2018 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The presentation of comparison figures of Cost of raw materials and consumables and Other external costs is restated due to change in accounting system in 2018 with a new mapping of accounts. There is no impact of net result and equity for 2017.

The annual financial statement for 2018 is prepared in DKK 1,000.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Wärtsilä Oyj Abp.

Recognition and measurement

Income is recognised in the income statement as earned based on the following criteria:

- Delivery has been made before year end,
- A binding sales agreement has been made,
- The sales price has been determined, and payment has been received at the time of sale or may with reasonable certainty be expected to be received.
- Deliveries with a high degree of customization are recognised as production take place
- Expenses, which has incurred or will be incurred in connection with the transaction, can be reliable measured.

Revenues are recognised in the income statement as earned, which includes recognition of value adjustments of financial assets and liabilities measured at fair value or amortised cost. Furthermore, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognized when it is probable that future economic benefits will accrue the enterprise, and the value of the asset can be reliable measured.

Liabilities are recognized when they are probable and future economic benefits will deduct from the company, and the value of the liability can be reliable measured.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments designated as or qualifying for recognition as a fair value hedge of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as or qualifying for recognition as a hedge of future transactions are recognised as other receivables or other payables and in equity until the realisation of the hedged transactions. If the future transaction results in the recognition of assets or liabilities, amounts that were previously recognised in equity are transferred to the cost of the assets or liabilities. If the future transaction results in income or costs, amounts that were previously recognised in equity are transferred to the income statement for the period when the hedged item affects the income statement.

Income statement

Revenue

Income from the sale of goods and finished goods, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ®2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

For products with a high degree of customisation, revenue is recognised as production takes place, and accordingly, revenue corresponds to the selling price of the work performed for the year (the percentage of completion method). When total income and costs attributable to the contract or the stage of completion at the balance sheet date cannot be estimated reliably, revenue is recognised only at costs incurred and only to the extent that the recovery thereof is likely.

Changes in stocks of finished goods

Include development from prior year to current year

Other operating income

Other operating income comprises items secondary to the activities of the Company, including gains on the disposal of intangible assest and property, plant and equipment.

Costs of raw material and consumables

Costs of raw material and consumable supplies include the expend of raw material and consumable supplies, used to achieve the net turnover of the year.

Other external costs

Other external costs include costs for leased premised, sale, distribution and office expenses etc. Under other external costs are also included development costs.

Staff costs

Personnel costs include wages and salaries and salary related costs.

Depreciations

Depreciations include depreciations of the year of intangible and tangible assets.

Income from investments in subsidiaries

Income from investments in subsidiaries and securities comprises realised capital gains and losses from other investments and securities recognised as investments or current assets in the balance sheet.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The Company is comprised by the Danish rules on compulsory joint taxation of the Wärtsilä Group's Danish subsidiaries.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Balance sheet

Intangible and tangible fixed assets

Intangible and tangible fixed assets are included at purchase price including costs directly attached to the purchase, with deduction of accumulated depreciations. Depreciation is made straight-line over the expected period of use:

Software	5 years
Production equipment and machinery	5 years
Other equipment	5 years
Leasehold investments	10 years

Investments

Investment in subsidiaries is recognised under the equity method.

In the Profit and Loss Account is included the proportional share of the result of the year after tax with deduction of depreciation of goodwill.

The estimate value of subsidiaries with negative accounting internal value is DKK 0. If the parent company has a legal or actual obligation to cover the negative balance of a subsidiary, provision is included.

The total net appreciated value of capital shares in subsidiaries is allocated by a profit disposal to a reserve for net revaluation under the equity method" under the equity capital.

Inventories

Inventories are measured at cost in accordance with the average cost method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as indirect production costs. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and the net realisable value, which corresponds to nominal value less provision for bad debt.

Work in progress

Work in progress is recognized according to the production criteria, where profit is included in the net statement concurrently with delivery of the order when criteria for use of the production criteria is fulfilled. Is criteria for using the production criteria not met then the invoice criteria will be used.

Prepayments and deferred income

Prepayments include expenses incurred in respect of subsequent financial years, including fair value adjustments of derivative financial instruments with a positive fair value.

Shareholder´s Equity

Dividend is included as an obligation at the time where the General Meeting approves the dividend. Dividend, which is expected paid, is specified as a special post under the statement of changes in Equity.

Provisions

Provisions comprise anticipated costs of warranties. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value or fair value if the obligation is expected to be settled in the distant future.

Warranties comprise obligations to make good any defects within the warranty period. Provisions are measured at net realisable value and recognised on the basis of the Company's experience with warranties. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at a rate reflecting risk and the due date for payment.

When it is probable that total costs will exceed total income from contract work in progress, the total projected loss on the work is recognised as a provision. The provision is recognised as production costs.

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1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Corporate tax and deferred tax liability

The company is jointly taxed with Group related (directly and indirectly) Danish Companies. The tax effect of the joint assessment with subsidiary is allocated on profitable as well as loss making Danish companies against their taxable income (full allocation with reimbursement regarding tax wise losses). The jointly taxed companies are part of the taxpaying regulation.

Corporate tax of the result of the year, consisting of the actual tax of the year and the deferred tax is included in the profit and loss statement with the part, which can be referred to the yearly result and directly on the equity capital with the part, which can be referred to amounts directly on the equity capital.

Actual tax obligations and outstanding actual tax is included in the balance as accounts receivable where too much tax is paid in advance, and as a debt liability if too little tax is paid in advance.

Deferred tax assets are measured according to the balance oriented debt method of all temporary differences between accounting and taxable value of assets and liabilities.

Deferred tax assets, including the tax value of conveyance justifiable fiscal losses, are measured at the value, at which the asset is expected to be realized, either by settlement in tax of future revenue or by setoff in tax obligations within the same legal tax authority and jurisdiction.

Deferred tax is measured on the basis of the tax rules and rates, current on the balance day's legislation, when the deferred tax is expected to be released as actual tax. Changing of deferred tax due to changes in tax rates is included in the Profit and Loss Account.

Financial statements 1 January – 31 December

Notes

	DKK'000	2018	2017
2	**Staff costs**		
	Wages and salaries	42,336	41,840
	Pensions	2,982	2,502
	Other social security costs	574	839
		45,892	45,181
	Average number of full-time employees	61	59

According to Danish Financial Statements Act §98 b, Salary and wages to the Management is omitted, because the information only refers to one member of the Management.

		2018	2017
3	**Financial income**		
	Interest income from group entities	965	36
	Other financial income	1,626	51
		2,591	87
4	**Financial expenses**		
	Interest expense to group entities	647	8
	Foreign exchange adjustments	619	1,395
	Other interest expense	464	3
		1730	1,406
5	**Tax on profit/loss for the year**		
	Current tax for the year	6,321	7,419
	Deferred tax adjustment for the year	1,334	-1,061
		7,655	6,358
6	**Proposed distribution of net**		
	Proposed dividend for the financial year	24,000	23,000
	Retained earnings	2,850	-758
		26,850	22,242

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Notes

7 Intangible assets

DKK'000	Other intangible assets	Total
Cost at 1 January 2018	382	382
Additions	0	0
Cost at 31 December 2018	382	382
Depreciations at 1 January 2018	83	83
Depreciations for the year	76	76
Depreciations at 31 December 2018	159	159
Carrying amount at 31 December 2018	223	223

8 Property, plant and equipment

DKK'000	Production equipment and machinery	Leasehold improvements	Total
Cost at 1 January 2018	3,549	1,592	5,141
Additions	40	405	445
Disposals	0	0	0
Cost at 31 December 2018	3,589	1,997	5,586
Depreciation at 1 January 2018	2,730	1,211	3,941
Depreciation	261	134	395
Depreciation at 31 December 2018	2,991	1,345	4,336
Carrying amount at 31 December 2018	598	652	1,250

DKK'000	2018	2017
9 Deposits		
Cost at 1. January	585	584
Additions	0	1
Cost at 31 December	585	585

Financial statements 1 January – 31 December

Notes

10 Inventory

Manufactured and Trading goods	16,298	15,860
Work in progress	6,070	16,692
	22,368	32,552

11 Work in progress

Work in progress at sales value	7,275	11,371
Payments on account	-2,144	-8.332
	5,131	3,039

12 Deferred tax

Deferred tax at 1 January	3,878	3,402
Deferred tax adjustment for the year in the income statement	-1,334	1,061
Tax on equity transactions	14	-585
	2,558	3,878

Provisions for deferred tax relate to:

Intangible assets	0	0
Property, plant and equipment	33	-3
Other receivables, other payables	47	97
Current assets	587	324
Provisions	1,891	3,460
	2,558	3,878

Deferred tax is recognised with 22 % according to the expected future tax rate

Financial statements 1 January – 31 December

Notes

DKK'000	2018	2017

13 Other provisions

Warranty commitments at 1 January	15,728	9,852
Used during the year	-2,530	-2,544
Provisions for the year	274	8,420
Reversal of provision from 2012	-4,875	0
Other provisions at 31 December	8,597	15,728

14 Contingent liabilities

Notice period of 12 months for contract for office rent equal to tkr. 3,960 (2017 tkr. 3,680)

Total operating lease liability		
Within 1 year	25	50
Between 1 and 2 years	0	0
	25	50

The company is in group taxation with other Danish companies owned by Wärtsilä Group with Wärtsilä Danmark A/S as the administration company. The company is jointly and severally liable with other group taxated companies in the payment of corporate taxes and withholding tax on interests, royalties and dividends.

15 Related parties

The ultimate parent company is Wärtsilä Corporation, Hiililaiturinkuja 2, FI-00180 Helsinki, Finland. The consolidated Financial Statements of Wärtsilä Corporation is available on above address or at www.wartsila.com

The company has according to Danish Financial Statements Act §98 c, pt. 7 not included information regarding intercompany transactions as the transactions have been made on market conditions.

16 Subsequent events

No major events have occurred after the balance sheet date which are considered to significantly affect the evaluation of the financial statements of 2018.