Semvac A/S

Svendborg 226, 5260 Odense S

CVR no. 76 48 99 12

Annual report 2018

Approved at the Company's annual general meeting on 26 June 2019

Chairman:

....

Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Semvac A/S for the financial year 1 January - 31 December 2018.

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

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 and cash flows for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Odense, 26 June 2019
Executive Board:

Christian Böckel Algreen-Ussing

Board of Directors:

Olivier Alexis Marie Ravit Chairman	Anne-Laure Nasrine Colin ép. Lion	Jérôme Paul Spencer
Jørn Hansen employee representative	Annette Lund employee representative	

Independent auditor's report

To the shareholders of Semvac A/S

Qualified opinion

We have audited the financial statements of Semvac A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, except for the effect of the matter described in the "Basis for qualified opinion" section, 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 and cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for qualified opinion

Construction contracts have been recognised in the balance sheet with an amount of DKK 7,675 thousand as at 31 December 2018 (DKK 9,374 thousand as at 31 December 2017). Included in these amounts Management has measured and presented certain assets with an amount of DKK 2,126 thousand as at 31 December 2018 (DKK 4,612 thousand as at 31 December 2017), which in our opinion should have been measured and presented as inventory.

In our opinion the measurement of these assets should have been lower with an amount of DKK 866 thousand as at 31 December 2018 (DKK 1,713 thousand as at 31 December 2017) and presented as inventory with DKK 1,260 thousand as at 31 December 2018 (DKK 2,899 thousand as at 31 December 2017).

Consequently the result for the year should have been higher with an amount of DKK 847 thousand in 2018 (DKK 3,269 thousand in 2017) and equity as at 1 January 2017 should have been lower with DKK 4,982 thousand. As at 31 December 2018 the equity should have been lower with DKK 866 thousand (DKK 1,713 thousand as at 31 December 2017). We qualify our opinion in this respect.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

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.

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.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 the financial statements.

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

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

As appears from the "Basis for qualified opinion" section, our opinion on the financial statements is modified because of the construction contracts. For the same reason, we are of the opinion that the Management's review is materially misstated in relation to the amounts and other elements that are affected by construction contracts.

Independent auditor's report

Apart from this and based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act.

Odense, 26 June 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Kenneth Skov Hansen
State Authorised Public Accountant
mne32748

Management's review

Company details

Name	Semvac A/S
Address, Postal code, City	Svendborg 226, 5260 Odense S
CVR no.	76 48 99 12
Established	3 December 1984
Registered office	Odense
Financial year	1 January - 31 December
Telephone	+45 65 68 33 00
Board of Directors	Olivier Alexis Marie Ravit, Chairman Anne-Laure Nasrine Colin ép. Lion Jérôme Paul Spencer Jørn Hansen, employee representative Annette Lund, employee representative
Executive Board	Christian Böckel Algreen-Ussing
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Englandsgade 25, P.O. Box 200, 5100 Odense C, Denmark
Bankers	Jyske Bank A/S

Management's review

Financial highlights

DKKt	2018	2017	2016	2015	2014
Key figures					
Gross margin	14,665	28,909	26,977	26,687	31,004
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-20,762	3,763	2,240	2,786	2,837
Net financials	-917	-916	-581	-1,183	3,536
Profit/loss for the year	-25,511	1,111	227	177	3,946
Total assets	88,715	73,956	54,204	55,272	64,323
Equity	29,293	40,018	8,632	8,279	8,124
Cash flows from operating activities	-15,457	-18,444	-2,041	4,418	6,097
Net cash flows from investing activities	-1,561	-269	-569	-221	-895
Cash flows from financing activities	16,847	25,631	2,757	-4,131	-5,196
Total cash flows	-171	6,918	147	66	6
Financial ratios					
Return on assets	-32.4%	3.7%	1.6%	2.4%	2.3%
Equity ratio	33.0%	54.1%	15.9%	15.0%	12.6%
Return on equity	-73.6%	4.6%	2.7%	2.2%	64.2%
Average number of employees	66	54	56	60	69

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. For terms and definitions, please see the accounting policies.

Semvac A/S merged with the group company Semvac Spare Parts A/S effective 1 January 2018.

Thus the above figures for 2018 include the former Semvac Spare Parts A/S. Figures for 2014-2017 include Semvac A/S only.

Management's review

Business review

The company delivers complete sanitary solutions for the global railway industry. The company handle all project phases, from consultancy and discussions in the initial phases through product development, manufacture, supply and after sales service.

Financial review

The company merged with Semvac Spare Parts A/S as of 1 January 2018 with Semvac A/S as the continuing company.

The income statement for 2018 shows a loss of DKK 25,511,405 against a profit of DKK 1,110,970 last year (Semvac A/S only), and the balance sheet at 31 December 2018 shows equity of DKK 29,293,019.
In the annual report for 2017, Management expected a positive result for 2018.
The main reason for the deviation is related to lower turnover considering the merger, one-time adjustments to inventory, consultant fees as well as more effort/costs than expected for certain projects.

Management considers the Company's financial performance in the year unsatisfactory.

Impact on the external environment

The management believes that the production (mostly assempling) does not affect the external enviroment.

Research and development activities

The company has maintained a focus on developing new products and components.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

The company expects significant improvement and profit in the range of DKK 1-5 million for 2019. For the first 5 month period of 2019 the company is below budget but expects to be above budget rest of the year i.a. due to timing issues.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2018	2017
	Gross profit	14,665,015	28,908,918
2	Staff costs	-35,426,705	-25,124,993
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-1,562,884	-1,387,656
	Impairment of current assets	-4,004,701	0
	Other operating expenses	0	-20,574
	Profit/loss before net financials	-26,329,275	2,375,695
	Financial income	840	50
3	Financial expenses	-917,970	-915,987
	Profit/loss before tax	-27,246,405	1,459,758
4	Tax for the year	1,735,000	-348,788
	Profit/loss for the year	-25,511,405	1,110,970

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2018	2017
	ASSETS		
	Fixed assets		
5	Intangible assets		
	Completed development projects	3,646,577	4,528,488
	Acquired intangible assets	4,800,000	0
	Goodwill	0	52,536
		8,446,577	4,581,024
6	Property, plant and equipment		
	Plant and machinery	1,638,903	718,276
	Fixtures and fittings, other plant and equipment	541,629	229,823
		2,180,532	948,099
	Total fixed assets	10,627,109	5,529,123
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	18,452,972	10,192,521
	Finished goods and goods for resale	15,905,000	11,100,724
		34,357,972	21,293,245
	Receivables		
	Trade receivables	16,230,377	15,778,072
	Construction contracts	7,675,291	9,374,149
	Receivables from group enterprises	6,304,936	7,681,977
	Corporation tax receivable	138,000	0
	Joint taxation contribution receivable	0	955,621
	Other receivables	3,766,907	4,801,057
7	Prepayments	806,211	1,397,085
		34,921,722	39,987,961
	Cash	8,808,104	7,145,729
	Total non-fixed assets	78,087,798	68,426,935
	TOTAL ASSETS	88,714,907	73,956,058

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	17,000,001	17,000,000
	Reserve for development costs	102,022	114,770
	Retained earnings	12,190,996	22,903,295
	Total equity	29,293,019	40,018,065
	Provisions		
	Deferred tax	0	1,264,000
	Other provisions	438,000	50,000
10	Total provisions	438,000	1,314,000
	Liabilities other than provisions		
9	Non-current liabilities other than provisions		
	Lease liabilities	341,547	0
	Payables to group entities	22,402,136	5,955,222
		22,743,683	5,955,222
	Current liabilities other than provisions		
9	Short-term part of long-term liabilities other than provisions	58,815	0
	Prepayments received from customers	1,892,498	2,956,866
	Trade payables	20,431,540	12,827,477
	Payables to group enterprises	6,237,842	81,249
	Corporation tax payable	0	1,348,409
	Other payables	7,619,510	9,454,770
		36,240,205	26,668,771
	Total liabilities other than provisions	58,983,888	32,623,993
	TOTAL EQUITY AND LIABILITIES	88,714,907	73,956,058

1 Accounting policies
11 Contractual obligations and contingencies, etc.
12 Contingent assets
13 Collateral
14 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK	Share capital	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2017	17,000,000	127,483	-8,495,315	8,632,168
15	Transfer, see "Appropriation of profit/loss"	0	-12,713	1,123,683	1,110,970
	Adjustment of hedging instruments at fair value	0	0	-185,392	-185,392
	Contribution from group	0	0	30,460,319	30,460,319
	Equity at 1 January 2018	17,000,000	114,770	22,903,295	40,018,065
	Additions on merger/corporate acquisition	1	0	14,786,358	14,786,359
15	Transfer, see "Appropriation of profit/loss"	0	-12,748	-25,498,657	-25,511,405
	Equity at 31 December 2018	17,000,001	102,022	12,190,996	29,293,019

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK	2018	2017
	Profit/loss for the year	-25,511,405	1,110,970
16	Adjustments	1,133,547	2,487,472
	Cash generated from operations (operating activities)	-24,377,858	3,598,442
17	Changes in working capital	11,324,230	-21,003,341
	Cash generated from operations (operating activities)	-13,053,628	-17,404,899
	Interest received, etc.	840	50
	Interest paid, etc.	-917,970	-915,897
	Income taxes paid	-1,486,409	-123,650
	Cash flows from operating activities	-15,457,167	-18,444,396
	Additions of property, plant and equipment	-1,560,872	-319,405
	Disposals of property, plant and equipment	0	50,000
	Cash flows to investing activities	-1,560,872	-269,405
	Proceeds of debt, group enterprises	16,847,276	6,513,398
	Group contribution	0	30,460,319
	Bank debts	0	-11,342,861
	Cash flows from financing activities	16,847,276	25,630,856
	Net cash flow	-170,763	6,917,055
	Cash and cash equivalents at 1 January	7,145,729	228,674
	Addition through merger	1,833,138	0
18	Cash and cash equivalents at 31 December	8,808,104	7,145,729

The cash flow statement cannot be directly derived from the other components of the financial statements.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

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

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

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Intra-group business combinations

As per 1 January 2018 the company merged with the group company Semvac Spare Parts A/S.
The book value method is applied to mergers in which entities controlled by the parent company are involved.
The comparative figures are not adjusted.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate 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 and payables and other monetary items denominated in foreign currencies are translated at the exchange rate 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 most recent 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 in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Income from the sale of goods for resale and finished goods, including sanitary solutions and spare parts, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and expenses and the degree of completion of the contract can be measured reliably.

Where income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only in so far as it is probable that such expenses will be recoverable from the counterparty.

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

Gross profit

The items revenue, cost of sales and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	3-10 years
Acquired intangible assets	20 years
Goodwill	5 years
Plant and machinery	3-10 years
Fixtures and fittings, other plant and equipment	3-5 years

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Development costs comprise expenses, salaries and amortisation directly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities areidentifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 3-5 years and cannot exceed 10 years.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight line basis over the remaining term of the patent, and licences are amortised over the term of the licence, but not exceeding 20 years.

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management’s experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 5 years.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use.

The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost price.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received.

Construction contracts

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Provisions

Provisions comprise anticipated expenses relating to warranty commitments. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Return on assets $$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$$

Equity ratio $$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$$

Return on equity $$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$$

Financial statements 1 January - 31 December

Notes to the financial statements

	DKK	2018	2017
2	Staff costs		
	Wages/salaries	32,215,099	22,546,489
	Pensions	2,482,170	1,987,725
	Other social security costs	729,436	590,779
		35,426,705	25,124,993
	Average number of full-time employees	66	54

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

		2018	2017
3	Financial expenses		
	Interest expenses, group entities	315,698	292,399
	Other financial expenses	602,272	623,588
		917,970	915,987
4	Tax for the year		
	Estimated tax charge for the year	0	392,788
	Deferred tax adjustments in the year	-1,735,000	-44,000
		-1,735,000	348,788

Financial statements 1 January - 31 December

Notes to the financial statements

5 Intangible assets

DKK	Completed development projects	Acquired intangible assets	Goodwill	Total
Cost at 1 January 2018	10,731,329	0	530,000	11,261,329
Additions through mergers and business combinations	0	6,000,000	0	6,000,000
Cost at 31 December 2018	10,731,329	6,000,000	530,000	17,261,329
Impairment losses and amortisation at 1 January 2018	6,202,841	0	477,464	6,680,305
Impairment losses and amortisation of additions through mergers and business combinations	0	900,000	0	900,000
Amortisation for the year	881,911	300,000	52,536	1,234,447
Impairment losses and amortisation at 31 December 2018	7,084,752	1,200,000	530,000	8,814,752
Carrying amount at 31 December 2018	3,646,577	4,800,000	0	8,446,577
Amortised over	3-10 years	20 years	5 years	

Acquired intangible assets include sales rights to spare parts business under the name "Semvac". Sales rights are amortized over 20 years, as Semvac oblige to supply spare parts for a minimum of 25 years on train sets.

6 Property, plant and equipment

DKK	Plant and machinery	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2018	5,373,314	2,028,947	7,402,261
Additions	1,120,322	440,550	1,560,872
Cost at 31 December 2018	6,493,636	2,469,497	8,963,133
Impairment losses and depreciation at 1 January 2018	4,655,038	1,799,124	6,454,162
Depreciation	199,695	128,744	328,439
Impairment losses and depreciation at 31 December 2018	4,854,733	1,927,868	6,782,601
Carrying amount at 31 December 2018	1,638,903	541,629	2,180,532
Property, plant and equipment include finance leases with a carrying amount totalling	0	423,550	423,550
Depreciated over	3-10 years	3-5 years	

Financial statements 1 January - 31 December

Notes to the financial statements

7 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent, DKK 505 thousand etc.

8 Share capital

Analysis of changes in the share capital over the past 5 years:

DKK	2018	2017	2016	2015	2014
Opening balance	17,000,000	17,000,000	17,000,000	17,000,000	17,000,000
Capital increase	1	0	0	0	0
	17,000,001	17,000,000	17,000,000	17,000,000	17,000,000

9 Non-current liabilities other than provisions

DKK	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Lease liabilities	400,362	58,815	341,547	0
Payables to group entities	22,402,136	0	22,402,136	0
	22,802,498	58,815	22,743,683	0

10 Provisions

Other provisions comprise provisions for warranty commitments, totalling DKK 438 thousand. Warranty provisions relate to expected warranty expenses in accordance with usual guarantee commitments applicable to the sale of goods. The obligation is expected to be settled over the warranty period.

Financial statements 1 January - 31 December

Notes to the financial statements

11 Contractual obligations and contingencies, etc.

Other contingent liabilities

DKK	2018	2017
Guarantee commitments	2,424,120	1,074,142
	2,424,120	1,074,142

Other financial obligations

Rent liabilities totalling DKK 1,012 thousand in interminable rent agreements with remaining contract terms of 3 years. Furthermore, the Company has liabilities under operating leases for cars and IT equipment, totalling DKK 730 thousand with remaining contract terms of 1-3 years.

12 Contingent assets

The company has tax loss carry-forwards totalling DKK 25,739 thousand. The nominal value thereof is 22%, totalling DKK 5,662 thousand. DKK 1,448 thousand of the amount has been offset under deferred tax, whereas DKK 4,214 thousand has not been recognised in the balance sheet due to the uncertainty for utilisation.

13 Collateral

The Company has issued a floating company charge of a total amount of DKK 41 million secured on trade receivables, inventory, plant and machinery, fixtures and fittings, other plan and equipment and goodwill carrying amount of DKK 53 million.

14 Related parties

Semvac A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Westinghouse Air Brake Technologies Corporation	1001 Air Brake Avenue Wilmerding, PA 15148 USA	Majority shareholder

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Westinghouse Air Brake Technologies Corporation	1001 Air Brake Avenue Wilmerding, PA 15148 USA	https://ir.wabteccorp.com/investor-relations/annual-reports

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

Financial statements 1 January - 31 December

Notes to the financial statements

	DKK	2018	2017
15	Appropriation of profit/loss		
	Recommended appropriation of profit/loss		
	Reserve for development costs	-12,748	-12,713
	Retained earnings/accumulated loss	-25,498,657	1,123,683
		-25,511,405	1,110,970
16	Adjustments		
	Amortisation/depreciation and impairment losses	1,562,884	1,387,656
	Gain/loss on the sale of non-current assets	0	20,574
	Provisions	388,000	0
	Financial income	-840	-50
	Financial expenses	917,970	915,987
	Tax for the year	0	348,788
	Deferred tax	-1,735,000	0
	Other adjustments	533	-185,483
		1,133,547	2,487,472
17	Changes in working capital		
	Change in inventories	-9,087,204	-7,273,204
	Change in receivables	13,416,654	-17,466,749
	Change in trade and other payables	6,994,780	3,736,612
		11,324,230	-21,003,341
18	Cash and cash equivalents at year-end		
	Cash according to the balance sheet	8,808,104	7,145,729
		8,808,104	7,145,729