

Svanehøj Danmark A/S

Fabriksparken 6
9230 Svenstrup J
CVR No. 25895010

Annual report 2021

The Annual General Meeting adopted the
annual report on 30.05.2022

Mikael Langaard Frølund

Chairman of the General Meeting

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Entity details

Entity

Svanehøj Danmark A/S

Fabriksparken 6

9230 Svenstrup J

Business Registration No.: 25895010

Registered office: Aalborg

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Mikael Langgaard Frølund, Chairman

Søren Kringelholt Nielsen

Ole Styrbæk

Lars Foged

Torben Larsen

Executive Board

Søren Kringelholt Nielsen, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Svanehøj Danmark A/S for the financial year 01.01.2021 - 31.12.2021.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

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

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

Svenstrup, 30.05.2022

Executive Board

Søren Kringelholt Nielsen
CEO

Board of Directors

Mikael Langgaard Frølund
Chairman

Søren Kringelholt Nielsen

Ole Styrbæk

Lars Foged

Torben Larsen

Independent auditor's report

To the shareholder of Svanehøj Danmark A/S

Opinion

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity 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 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the 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 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 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 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 30.05.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Henrik Vedel

State Authorised Public Accountant
Identification No (MNE) mne10052

Jakob Olesen

State Authorised Public Accountant
Identification No (MNE) mne34492

Management commentary

Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Revenue	439,145	388,504	288,643	178,070	180,433
Gross profit/loss	148,771	131,895	95,976	25,247	37,228
EBITDA before non-recurring items	67,174	63,511	33,711	(602)	1,180
Operating profit/loss	59,819	55,254	15,222	(6,302)	(4,450)
Net financials	(1,537)	(470)	(2,054)	(1,029)	(641)
Profit/loss for the year	45,374	42,671	10,265	(6,102)	(4,180)
Total assets	370,172	227,095	154,569	139,269	125,381
Investments in property, plant and equipment	7,418	10,199	2,498	324,0	2,610
Equity	70,962	73,171	27,202	19,309	25,038
Average number of employees	161	141	136	107	106
Ratios					
Gross margin (%)	33.88	33.95	33.25	14.18	20.63
EBITDA before non-recurring items margin (%)	15.30	16.35	11.68	(0.34)	0.65
EBIT margin (%)	13.62	14.22	5.27	(3.54)	(2.48)
Net margin (%)	10.33	10.98	3.56	(3.43)	(2.32)
Return on equity (%)	62.96	85.02	44.14	(27.52)	(7.67)
Equity ratio (%)	28.11	29.60	17.60	13.90	19.97

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

The management has changed in the classification between production-, distribution- and administration costs during the financial year. This has impacted the gross profit/loss. The classification is adjusted in 2019, 2020 and 2021, but not in previous years.

Gross margin (%):

Gross profit/loss * 100
Revenue

EBITDA before non-recurring items margin (%):

EBITDA before non-recurring items * 100
Revenue

EBIT margin (%):

Operating 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
Total assets

Primary activities

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

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

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

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

Through a takeover of Wärtsilä Tank Control Systems in early 2022, Svanehøj has further strengthened the business with highly specialised competencies within production, sales and service of LNG tank gauging systems and hydraulic LPG safety valve systems. The acquisition also provides attractive opportunities in the unexploited land-based segment for high-end liquefied gas handling equipment and aftermarket activities.

Development in activities and finances

In 2021, Svanehøj has continued its strong development with increasing revenue and order intake, despite being impacted by supply chain bottlenecks and travel restrictions in-light of Covid-19. The Company realised a turnover of DKK 439 million against DKK 389 million in 2020, and an EBITDA before non-recurring items of DKK 67 million against DKK 64 million in 2020. Revenue has thus increased by 147% in since 2018 and EBITDA before NRI has increased from DKK 0m to 67m.

Management describes the development as very strong and emphasizes that the financial year 2021 was an even better year than the financial figures reflect. Due to COVID-19, Svanehøj experienced challenges in both inbound and outbound logistics and aftermarket activities were impacted by travel restrictions. Profitability was impacted by an increased cost base as Svanehøj during 2021 geared its organisation for future growth and increased its investments in product development. Additionally, management estimates that DKK 25-40 million in revenue has been postponed until 2022.

In 2021, Svanehøj reached an all-time high order intake of more than DKK 740 million, nearly twice as high as in 2020, demonstrating the accelerated demand for its leading niche and renewable ready product offering and strong aftermarket capabilities.

Profit/loss for the year in relation to expected developments

Management highlights that Svanehøj continued its strong growth trajectory in 2021, with key contributors being: (1) accelerated demand for the patented DW Fuel Pump, which is fully compatible with all types of liquid gas fuels, including LNG, LPG, green ammonia, methanol, and hydrogen; (2) cargo solutions for LNG, LPG carriers and P&C carriers; and (3) rapidly expanding service and aftersales business, which has been further strengthened through the successful integration of Force Technology Marine Service Equipment that was acquired in 2020.

Additionally, to support the ambitious growth strategy, Svanehøj made a strategic decision to invest more than DKK 10 million in a lean manufacturing project in Denmark, expected to increase productivity and capacity by up to 50%.

Outlook

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

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

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

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

Particular risks

Due to its activities abroad, Svanehøj's profit and equity have been affected by exchange rate fluctuations in several currencies. It is the Company's policy to hedge against commercial currency exposure. Hedging takes place by means of forward exchange contracts to cover projected sales and purchases arising from incoming orders. The Company does not enter forward exchange contracts for speculative purposes.

Knowledge resources

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

Environmental performance

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

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

The Company's production of pumps does not materially affect the external environment and takes place in a manner that ensures compliance with current regulatory requirements.

The Company has been certified by DNV-GL for the environmental management standard ISO 14001:2015, the health and safety management standard OHSAS 18001:2007 and the quality management standard ISO 9001:2015.

Research and development activities

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

Group relations

Svanehøj Danmark A/S is a part of the Svanehøj Group.

Statutory report on corporate social responsibility

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

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

Environment and sustainability

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

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

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

The environmental performance in Svanehøj is constantly monitored. At present, there are no risks, nor topics identified that requires special attention.

The short-term focus is to identify all sources that emit greenhouse gases from Svanehøj's operations. This will ensure the foundation for the implementation of reduction initiatives based on the greenhouse gas calculation which will be finalised in 2022.

In addition, Svanehøj has a special focus on searching and evaluating where it can positively contribute to the green transition through its product and applications.

Svanehøj is certified by DNV for the environmental management standard ISO 14001:2015, the health and safety management standard OHSAS 18001:2007 and the quality management standard ISO 9001:2015.

Human rights

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

Employees

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

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

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

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

Anti-corruption

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

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

Statutory report on data ethics policy

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

There is a clear corporate policy on that personal information is used respectfully for customers' and other

stakeholder's privacy, to ensure compliance with the Data Protection Act and the Data Protection Regulation.

Events after the balance sheet date

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

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

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

Income statement for 2021

	Notes	2021 DKK'000	2020 DKK '000
Revenue	1	439,145	388,504
Production costs		(290,374)	(256,609)
Gross profit/loss		148,771	131,895
Distribution costs		(41,348)	(29,312)
Administrative expenses	2	(47,604)	(47,329)
Operating profit/loss		59,819	55,254
Other financial income	5	41	60
Other financial expenses	6	(1,578)	(530)
Profit/loss before tax		58,282	54,784
Tax on profit/loss for the year	7	(12,908)	(12,113)
Profit/loss for the year	8	45,374	42,671

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Completed development projects	10	2,216	681
Goodwill		9,293	10,278
Intangible assets	9	11,509	10,959
Land and buildings		13,846	13,797
Plant and machinery		8,827	3,977
Other fixtures and fittings, tools and equipment		1,453	1,453
Property, plant and equipment	11	24,126	19,227
Fixed assets		35,635	30,186
Raw materials and consumables		73,670	56,501
Work in progress		48,908	33,493
Manufactured goods and goods for resale		17,803	1,452
Inventories		140,381	91,446
Trade receivables		73,067	51,219
Receivables from group enterprises		63,308	33,715
Other receivables		3,287	6,316
Prepayments	12	879	1,611
Receivables		140,541	92,861
Cash		53,615	12,602
Current assets		334,537	196,909
Assets		370,172	227,095

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		26,250	26,250
Reserve for fair value adjustments of hedging instruments		135	257
Reserve for development expenditure		1,728	532
Retained earnings		42,849	46,132
Equity		70,962	73,171
Deferred tax	13	3,422	1,790
Other provisions	14	419	1,604
Provisions		3,841	3,394
Lease liabilities		1,495	0
Other payables		7,516	8,202
Non-current liabilities other than provisions	15	9,011	8,202
Current portion of non-current liabilities other than provisions	15	342	0
Bank loans		21	16,221
Prepayments received from customers		139,339	47,521
Trade payables		92,359	45,631
Payables to group enterprises		22,431	0
Tax payable		11,034	10,087
Other payables		20,832	22,868
Current liabilities other than provisions		286,358	142,328
Liabilities other than provisions		295,369	150,530
Equity and liabilities		370,172	227,095
Staff costs	3		
Amortisation, depreciation and impairment losses	4		
Fair value information	16		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Assets charged and collateral	19		
Related parties with controlling interest	20		
Transactions with related parties	21		
Group relations	22		

Statement of changes in equity for 2021

	Contributed capital DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	26,250	257	532	46,132	73,171
Extraordinary dividend paid	0	0	0	(47,500)	(47,500)
Value adjustments	0	(140)	0	39	(101)
Tax of entries on equity	0	18	0	0	18
Transfer to reserves	0	0	1,196	(1,196)	0
Profit/loss for the year	0	0	0	45,374	45,374
Equity end of year	26,250	135	1,728	42,849	70,962

Notes

1 Revenue

	2021 DKK'000	2020 DKK'000
Europe	191,749	198,621
Asia	160,944	172,427
Rest of the world	86,452	17,452
Total revenue by geographical market	439,145	388,500
New build	335,037	334,700
Aftersales	104,108	53,800
Total revenue by activity	439,145	388,500

2 Fees to the auditor appointed by the Annual General Meeting

	2021 DKK'000	2020 DKK'000
Statutory audit services	175	175
Other assurance engagements	30	25
Tax services	25	32
	230	232

3 Staff costs

	2021 DKK'000	2020 DKK'000
Wages and salaries	92,892	74,810
Pension costs	12,295	10,403
Other social security costs	549	493
Other staff costs	369	0
	106,105	85,706

Average number of full-time employees	161	141
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	Remuneration of Management 2021 DKK'000	Remuneration of Management 2020 DKK'000
Executive Board	0	1,777
Board of Directors	0	541
Total amount for management categories	1,559	0
	1,559	2,318

4 Depreciation, amortisation and impairment losses

	2021	2020
	DKK'000	DKK'000
Amortisation of intangible assets	991	127
Depreciation of property, plant and equipment	2,518	1,285
	3,509	1,412

5 Other financial income

	2021	2020
	DKK'000	DKK'000
Financial income from group enterprises	40	60
Other interest income	1	0
	41	60

6 Other financial expenses

	2021	2020
	DKK'000	DKK'000
Financial expenses from group enterprises	1,317	0
Other interest expenses	261	530
	1,578	530

7 Tax on profit/loss for the year

	2021	2020
	DKK'000	DKK'000
Current tax	11,052	10,087
Change in deferred tax	1,632	2,022
Adjustment concerning previous years	224	4
	12,908	12,113

8 Proposed distribution of profit and loss

	2021	2020
	DKK'000	DKK'000
Retained earnings	45,374	42,671
	45,374	42,671

9 Intangible assets

	Completed development projects DKK'000	Goodwill DKK'000
Cost beginning of year	12,874	10,285
Additions	1,541	0
Cost end of year	14,415	10,285
Amortisation and impairment losses beginning of year	(12,193)	(7)
Amortisation for the year	(6)	(985)
Amortisation and impairment losses end of year	(12,199)	(992)
Carrying amount end of year	2,216	9,293

10 Development projects

Completed development projects comprises development etc. of machinery and equipment with all of the Company's business areas. As of 31 December 2021 the carrying amount of completed development projects amounts to DKK 2,216k. The amortisation period for completed development projects is set to 5 years. Management has not identified any indication of impairment regarding the carrying amount of completed development projects.

11 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	58,021	48,564	12,103
Additions	1,036	6,382	0
Cost end of year	59,057	54,946	12,103
Depreciation and impairment losses beginning of year	(44,225)	(44,587)	(10,650)
Depreciation for the year	(986)	(1,532)	0
Depreciation and impairment losses end of year	(45,211)	(46,119)	(10,650)
Carrying amount end of year	13,846	8,827	1,453
Recognised assets not owned by entity		1,724	

12 Prepayments

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

13 Deferred tax

	2021 DKK'000	2020 DKK'000
Intangible assets	916	471
Property, plant and equipment	752	329
Inventories	1,687	1,085
Receivables	(33)	(97)
Provisions	(92)	(353)
Liabilities other than provisions	192	355
Deferred tax	3,422	1,790

	2021 DKK'000	2020 DKK'000
Changes during the year		
Beginning of year	1,790	(235)
Recognised in the income statement	1,632	2,022
Recognised directly in equity	0	3
End of year	3,422	1,790

14 Other provisions

Other provisions contains provisions for warranty commitments.

15 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK'000	Due after more than 12 months 2021 DKK'000	Outstanding after 5 years 2021 DKK'000
Lease liabilities	342	1,495	0
Other payables	0	7,516	7,516
	342	9,011	7,516

16 Fair value information

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

17 Unrecognised rental and lease commitments

	2021 DKK'000	2020 DKK'000
Liabilities under rental or lease agreements until maturity in total	530	440

18 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Svanehøj Group A/S serves as the administration company. 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 the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

19 Assets charged and collateral

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant of DKK 12.000k nominal. The carrying amount of mortgaged properties is DKK 13.846k. The registered to mortgagor remains in the Company's possession.

As security for outstanding debts, the Company has provided a floating charge by way of an all-monies mortgage of DKK 45,000k to its banks. The floating charge is secured on operating fixtures and fittings, operating equipment, goodwill, domain rights and trademarks, receivables and inventory stock and unsecured claims at a carrying amount of DKK 249.083 k. Bank guarantee provided for customers of DKK 32.264k.

20 Related parties with controlling interest

Svanehøj Group A/S, Svenstrup, indirectly through Svanehøj Holding A/S, owns all shares of the company and therefore have controlling interest.

21 Transactions with related parties

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

22 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Svanehøj Group A/S, Svenstrup J, Denmark.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Svanehøj Group A/S, Svenstrup J, Denmark.

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 management has changed classification between production-, distribution- and administrative costs during the financial year. Comparative figures have been adjusted to the new classification, as gross profit for 2020 is improved by 23,5 million, but operating profit is unchanged. The classification change does not affect the result for the year, equity or the balance sheet total.

Besides the above change in classification, the 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.

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.

Balance sheet items are translated using the exchange rates 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 as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other

payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised the accumulated changes are recognised as part of cost of the relevant financial statement items.

Income statement

Revenue

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

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, and 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 write-down of inventories.

Also, provisions for loss on contract work in progress are recognised under production costs.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies

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

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and 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, and 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.

The Entity is jointly taxed with Svanehøj Group A/S all Danish group enterprises. The current Danish income tax is

allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

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. Such useful life has been set at 10 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. 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.

Property, plant and equipment

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	25 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	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.

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 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.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

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

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

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, 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.

Tax receivable or payable

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

Cash flow statement

The company has decided not to include a cash flow statement due to Danish Financial Statements Act §86,4.