Svanehøj Group

Svanehøj Group A/S
Fabriksparken 6
9230 Svenstrup J
Central Business Registration
No 39962349

Annual report 23.10.2018 - 31.12.2019

The Annual General Meeting adopted the annual report on 15.04.2020

Chairman of the General Meeting

Name: Jacob Hjortshøj

Contents

Entity details

Entity
Svanehøj Group A/S
Fabriksparken 6
9230 Svenstrup J

Central Business Registration No (CVR): 39962349
Registered in: Aalborg
Financial year: 23.10.2018 - 31.12.2019

Board of Directors
Søren Østergaard Sørensen
Michael Pontoppidan Frost
Thomas Synnestvedt Knudsen
Denis Viet-Jacobsen
Helene Anna Rasmusson Egebøl

Executive Board
Søren Kringelholt Nielsen
Jens Andresen

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Svanehøj Group A/S for the financial year 23.10.2018 - 31.12.2019.

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 31.12.2019 and of the results of its operations and cash flows for the financial year 23.10.2018 - 31.12.2019.

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

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

Svenstrup J, 15.04.2020

Executive Board

Søren Kringelholt Nielsen	Jens Andresen

Board of Directors

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

Independent auditor's report

To the shareholders of Svanehøj Group A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Svanehøj Group A/S for the financial year 23.10.2018 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 23.10.2018 - 31.12.2019 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements

Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

Aarhus, 15.04.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

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

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

Management commentary

	2018/19 DKK'000
Financial highlights	
Key figures	
Revenue	644.330
Gross profit/loss	146.599
Operating profit/loss	(606)
Net financials	(5.138)
Profit/loss for the year	(6.668)
Profit/loss excl minority interests	(6.668)
Total assets	686.084
Investments in property, plant and equipment	66.083
Equity	349.853
Equity excl minority interests	349.853
Cash flows from (used in) operating activities	(5.416)
Cash flows from (used in) investing activities	(503.432)
Cash flows from (used in) financing activities	542.429
Ratios	
Gross margin (%)	22,8
Net margin (%)	(1,0)
Return on equity (%)	(1,9)
Equity ratio (%)	51,0

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

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss excl minority interests x 100}}{\text{Average equity excl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity excl minority interests x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

Svanehøj Group A/S has been operational since November 1st, 2018 where the Wärtsilä Pumps business was acquired. The main activities in Svanehøj Group are primarily conducted through the subsidiaries Svanehøj Danmark A/S and Hamworthy Pumps Singapore PTE Ltd.

Svanehøj Group designs, manufactures, and markets deepwell and in-line pumps to the marine and upstream oil & gas industries. The Group has been active in the market for more than 100 years based on the globally recognized brands *Svanehøj*, *Hamworthy Pumps*, *Eureka* and *Dolphin*. The company's products are market leading and are used in mission critical applications, such as cargo offloading, fuel gas handling, ballasting, engine cooling, fire protection and exhaust gas cleaning, where easy access and safe handling of the equipment is very important.

The company is headquartered in Aalborg (Denmark) and has operations in Kobe (Japan), Poole (UK), and Singapore. The activities are supported by sales representation in all main markets.

Development in activities and finances

In 2018/2019 (14 months) Svanehøj Group realized sales of DKK 644.3m. Business activity reflected strong commercial momentum and growth in core business.

In 2018/2019 Svanehøj Group realized a net loss of DKK (6.7) m. The financial result was impacted by extraordinary one-off costs related to the carve out from Wärtsilä and the establishment as a stand-alone business. Management's normalized operating profit before amortization and depreciations for 2019 amounted to DKK 62m.

During 2018/2019 Svanehøj Group's board of directors approved the new corporate strategy "Toward 2023". Key strategic goals include segmentation of markets and an even stronger focus on commercial activities to ensure that the Group's brands are visible and known to target customers. The strategy is operationalized by clearly defined activities to reach superior competitiveness, quality and safety.

During 2018/2019, Svanehøj Group has opened a representative office in Suzhou (China) to support sourcing activities in China. In addition, a sales office has been opened in Kobe (Japan) to establish a local presence and further strengthen the commercial organization.

Outlook

Based on the positive brand momentum, focused sales initiatives, and a strong order book, Svanehøj Group expects continued high business activity in 2020. While global investments in the marine and offshore markets remain at a historically low level, Svanehøj Group expects a gradual recovery in vessel contracting and offshore upstream activity going forward.

The positive expectations are partly driven by the new IMO marine fuel regulation, as the need to invest in

Management commentary

sustainable and environmentally friendly solutions support an increased activity level for Svanehøj Group. Moreover, Svanehøj Group expects growth in scrubber and offshore pump sales from higher competitiveness, customer awareness and increased local presence.

While it currently is not possible to estimate the financial impact for Svanehøj Group from the COVID-19 outbreak, management expects the pandemic to negatively impact revenue and profit before tax in 2020. Due to COVID-19 management expects a flat revenue and normalized profit before tax in 2020 compared to 2018/2019.

Despite COVID-19 Svanehøj Group is well-positioned for 2020 based on the company's position as a reliable business partner and leading supplier of high-quality mission-critical pumps and pump solutions for marine and offshore applications.

Particular risks
Operating risks

Svanehøj Group's main operating risks are related to the ability to be strongly positioned in the markets where Svanehøj Group's products are sold and the ability to provide quick delivery.

Financial risks

As a result of its operations, investments and financing, Svanehøj Group is exposed to changes in currency exchange rates and interest rates. The Group applies a finance policy that operates with a low risk profile, which implies that currency, interest and credit risks only materialize related to the specific commercial circumstances. The Group's use of derivative financial instruments has been regulated through internal procedures approved by the Board of Directors, which among others include maximum amounts and a specification of which derivative financial instruments may be used.

Foreign exchange risks

The Group is affected by changes in currency exchange rates, as goods purchased and the main part of the turnover is invoiced in a foreign currency, while the main part of the costs, including wages and salaries are mainly paid in Danish Kroner and Singapore Dollar.

Interest rate risks

The Group has no significant interest rate risk.

Credit risks

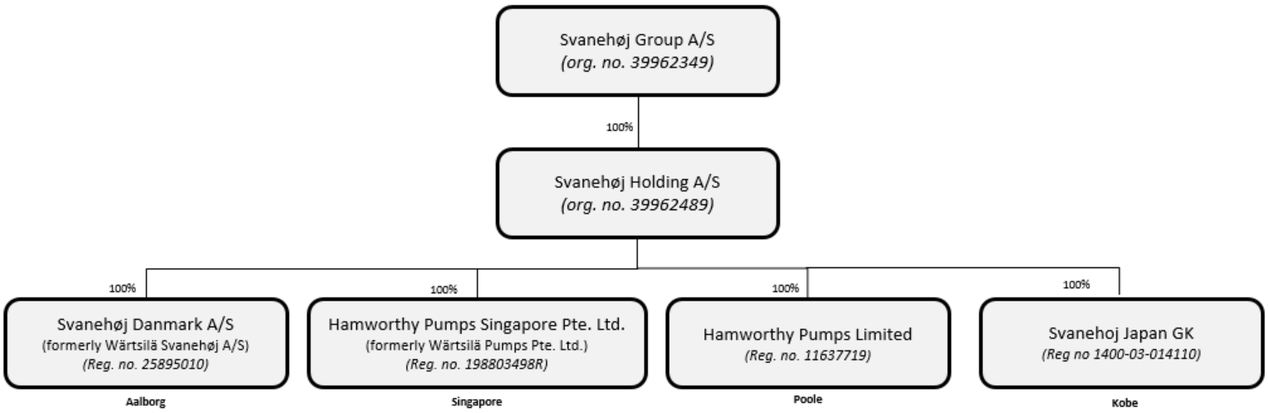
The Group's policy for assuming credit risks means that all customers and other business partners are evaluated on an ongoing basis.

Liquidity risks

The Group has credit facilities available exceeding the expected requirements of the Group.

Management commentary

Group relations



Statutory report on corporate social responsibility

Svanehøj Group is a dedicated supplier of pumps and pump solutions, which can support minimizing energy consumption in the Marine industry. With a strong company vision of 'Toward 2023', sustainability and dedication towards the UN Sustainable Development Goals is fundamental in the way we operate and govern our company.

The statement of Corporate and Social Responsibility (CSR) for Svanehøj Group covers the accounting period 23 October 2018 through 31 December 2019. In Svanehøj Group, CSR is an integrated part of the Group's business and is integrated in both strategy and policies.

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

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

Business model and main activities

Svanehøj Group comprises two separate business units Svanehøj and Hamworthy Pumps.

Svanehøj designs, constructs, markets, sells and produces deepwell pumping systems and related products to the global marine and offshore market. The main operations are in Aalborg (Denmark) with global sales activities in both new projects and aftersales.

Hamworthy Pumps designs, constructs, markets, sells and produces inline pumps and related products to the global marine and offshore market. The main operations are in Singapore with global sales activities in

Management commentary

both new projects and aftersales.

In the following, we will describe our policies and mitigation of risks in relation to social responsibility.

Human rights

We are committed to the protection of human rights and support the United Nations universal declaration of human rights and the International Labour Organization's declaration on fundamental principles and rights at work. Therefore, we work actively to mitigate any risks concerning discrimination of employees.

In 2018/2019 we have focused on:

- Implementing HR policies, where employment and career path depend upon qualifications and the issue of non-discrimination is thereby dealt with. Gender, religion, nationality, ethnicity or sexual orientation is not considered a relevant evaluation criterion in relation to recruitment and career path.
- Existing suppliers have been requested to acknowledge our Supplier Requirement, which include policies on Human Rights.
- New suppliers will be requested to acknowledge our Supplier Requirements, which include policies on Human Rights, or to prove similar standards from own programs, audits or self-assessments.

In 2020 we will focus on:

- Ensuring that all employees understand and accept our Code of Conduct.
- Ensuring compliance with our Code of Conduct and Supplier Requirement Policy. We will review the policies with all key suppliers during our periodic audit.

We are not aware of any breaches concerning human rights in Svanehøj Group in 2018/19.

Employees

It is our goal to remain a company that encourages and supports the development of our employees and creates attractive jobs. Furthermore, we are dedicated to ensuring a safe and healthy working environment that meet the highest standards. Therefore, we are working actively to encourage a high employee motivation and avoid the risk of work-related accidents.

In 2018/2019 we have focused on:

- Reinforcing the health and safety policy, which implies instructing all employees to carry prescribed safety equipment and follow the safety measures defined by the business units.
- Aiming for zero work accidents. Furthermore, we have focused on increasing safety awareness and behavior by periodic safety talks to workforce. Frequent safety committee meetings to address current issues and focus on reporting Near Misses.
- Management Safety Walks have been implemented:
    - Safety training for all new employees, which implies HSE Induction with Workplace Health & Safety Officers.

Management commentary

  - o Correct Personal Protective Equipment (PPE) and education on proper use.

In 2020 we will focus on:

- Continuing our effort to embed a strong safety awareness mindset with continued focus on "Safety Walks" by departmental managers.
- Create Health Awareness in the organization, which includes improved sanitation of common areas and hand sanitizer.
- Skill enhancement for current workforce to leverage skill set to meet industry standards.

We believe that our activities in 2018/19 have contributed to maintaining a good and safe working environment in Svanehøj Group.

Environment

Svanehøj Group has a high impact on the environment as the products are used to reduce air pollution and greenhouse gasses. However, the operation of the Svanehøj Group itself has only minor impact on the environment, and there are no soil pollution or emission of contaminating residues. As a result, we believe that the overall impact of our activities are positive for the environment.

In 2018/2019 we have focused on:

- Closure of Foundry and Machinery (Singapore) and associated reduction of emissions.
- Increasing recycle efforts in the organization.
- Reducing the use of single use plastics and foams.

In 2020 we will focus on:

- Further reducing the environmental impact of the company's operations by reducing energy consumption in the facilities and reducing packaging waste.
- Developing supply chain solutions to localize component sourcing to reduce carbon footprint.
- Reduce business travelling by utilizing technologies such as skype, video calls instead of face to face meetings.

We believe that our activities in 2018/19 have contributed to minimizing Svanehøj Group's negative environmental impact.

Anti-corruption

Svanehøj Group A/S is committed never to engage in any form of bribery, corruption, extortion, embezzlement and to avoid the risk of any illegal methods to influence public officials, the judiciary or any other private parties.

In 2018/2019, we focused on securing that all employees understand the importance of following company ethical guidelines and on having zero corruption incidents. No breaches of Svanehøj Group's Code of Conduct

Management commentary

were related to corruption.

In 2020, we will focus on ensuring that all new contracts with agents, intermediaries and consultants include a section on anti-corruption.

Statutory report on the underrepresented gender

Svanehøj Group believes that employee diversity, including gender balance, contributes positively to the work environment and strengthens the Group's performance and competitiveness. Svanehøj Group aims to be an inclusive workplace without discrimination. We hire new employees solely based on our best evaluation of their competencies and experience. Gender, belief, age, nationality, ethnicity or sexual orientation are not relevant criteria when recruiting, and Svanehøj Group aim to have a balanced split between genders.

Svanehøj Group’s target is that minimum 20% of the shareholder elected board members should be female by the annual general assembly 2020. By the end of 2019 the actual number of female board members was 1 (out of the 5 board members). The minimum target of 20% was therefore met. Long term, the goal for female board representation is 50%. The share of female managers from 1st line managers up to CXO level was 15% in 2019 (3 out of 20). The policy and target is to seek to improve the relative share of women via internal promotions and through recruitment. To bring more women into managerial positions a mandate and focus to always include qualified female candidates in managerial recruitments has been put in place. For example, we ensure, whenever possible, that there is representation from both genders for interviews for managerial positions.

Events after the balance sheet date

It is unclear what effect COVID-19 will have for Svanehøj Group, but management expects Svanehøj Group to be negatively impacted by COVID-19. Other than COVID-19, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2018/19

	Notes	2018/19 DKK'000
Revenue	2	644.330
Production costs	4	(497.731)
Gross profit/loss		**146.599**
Distribution costs		(41.446)
Administrative expenses	3	(105.759)
Operating profit/loss		**(606)**
Other financial income	5	25
Other financial expenses	6	(5.163)
Profit/loss before tax		**(5.744)**
Tax on profit/loss for the year	7	(924)
Profit/loss for the year	8	**(6.668)**

Consolidated balance sheet at 31.12.2019

	Notes	2018/19 DKK'000
Completed development projects		900
Acquired intangible assets		42.239
Goodwill		280.997
Intangible assets	9	**324.136**
Land and buildings		41.903
Plant and machinery		11.128
Other fixtures and fittings, tools and equipment		2.272
Property, plant and equipment in progress		743
Property, plant and equipment	10	**56.046**
Deposits		2.913
Fixed asset investments	11	**2.913**
Fixed assets		**383.095**
Raw materials and consumables		97.559
Work in progress		8.811
Manufactured goods and goods for resale		31.073
Inventories		**137.443**
Trade receivables		118.943
Contract work in progress	15	0
Deferred tax	12	913
Other receivables		6.975
Income tax receivable		698
Prepayments	13	4.436
Receivables		**131.965**
Cash		**33.581**
Current assets		**302.989**
Assets		**686.084**

Consolidated balance sheet at 31.12.2019

	Notes	2018/19 DKK'000
Contributed capital		35.553
Retained earnings		314.300
Equity		**349.853**
Deferred tax	12	5.913
Other provisions	14	2.860
Provisions		**8.773**
Bank loans		36.708
Prepayments received from customers		37.846
Contract work in progress	15	9.846
Trade payables		55.386
Income tax payable		1.201
Other payables	16	186.471
Current liabilities other than provisions		**327.458**
Liabilities other than provisions		**327.458**
Equity and liabilities		**686.084**
Events after the balance sheet date	1	
Financial instruments	18	
Unrecognised rental and lease commitments	19	
Assets charged and collateral	20	
Transactions with related parties	21	
Subsidiaries	22	

Consolidated statement of changes in equity for 2018/19

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Contributed upon formation	400	0	400
Increase of capital	35.153	320.968	356.121
Exchange rate adjustments	0	2.677	2.677
Value adjustments	0	(305)	(305)
Other entries on equity	0	(3.041)	(3.041)
Tax of entries on equity	0	669	669
Profit/loss for the year	0	(6.668)	(6.668)
Equity end of year	**35.553**	**314.300**	**349.853**

Consolidated cash flow statement for 2018/19

	Notes	2018/19 DKK'000
Operating profit/loss		(606)
Amortisation, depreciation and impairment losses		31.442
Other provisions		258
Working capital changes	17	(30.129)
Cash flow from ordinary operating activities		**965**
Financial income received		25
Financial expenses paid		(5.163)
Income taxes refunded/(paid)		(1.243)
Cash flows from operating activities		**(5.416)**
Acquisition etc of intangible assets		(471)
Acquisition etc of property, plant and equipment		(9.734)
Acquisition of enterprises		(493.227)
Cash flows from investing activities		**(503.432)**
Loans raised		217.154
Repayments of loans etc		(31.246)
Cash increase of capital		356.521
Cash flows from financing activities		**542.429**
Increase/decrease in cash and cash equivalents		**33.581**
Cash and cash equivalents end of year		**33.581**

Notes to consolidated financial statements

1. Events after the balance sheet date

It is unclear what effect COVID-19 will have for Svanehøj Group, but management expects Svanehøj Group to be negatively impacted by COVID-19. Other than COVID-19, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

	2018/19 DKK'000
2. Revenue	
Revenue by geographical market	
Europe	183.002
Asia	105.630
Rest of the World	355.698
	644.330
Revenue by activity	
New build	470.360
Aftersales	173.970
	644.330

	2018/19 DKK'000
3. Fees to the auditor appointed by the Annual General Meeting	
Statutory audit services	859
Other assurance engagements	4.533
	5.392

	2018/19 DKK'000
4. Staff costs	
Wages and salaries	135.356
Pension costs	14.136
Other social security costs	2.446
	151.938
Average number of employees	**256**

Notes to consolidated financial statements

	Remuneration of management 2018/19 DKK'000
Executive Board	4.727
Board of Directors	825
	5.552

	2018/19 DKK'000
5. Other financial income	
Other interest income	25
	25

	2018/19 DKK'000
6. Other financial expenses	
Other interest expenses	5.163
	5.163

	2018/19 DKK'000
7. Tax on profit/loss for the year	
Current tax	648
Change in deferred tax	276
	924

	2018/19 DKK'000
8. Proposed distribution of profit/loss	
Retained earnings	(6.668)
	(6.668)

Notes to consolidated financial statements

9. Intangible assets	Completed develop-ment projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000
Addition through business combinations etc	830	45.801	298.404
Additions	471	0	0
Cost end of year	**1.301**	**45.801**	**298.404**
Exchange rate adjustments	1	0	0
Amortisation for the year	(402)	(3.562)	(17.407)
Amortisation and impairment losses end of year	**(401)**	**(3.562)**	**(17.407)**
Carrying amount end of year	**900**	**42.239**	**280.997**

Completed development projects comprises development etc. of machinery and equipment with all of the Company's business areas. As of 31 December 2019 the carrying amount of completed development projects amounts to DKK 900k. The amortisation period for completed development projects is set to 5 years. Management has not identified any indication of impairment regarding the carrying amount of completed development projects.

10. Property, plant and equipment	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Addition through business combinations etc	47.107	8.499	743	0
Additions	242	6.252	2.497	743
Disposals	(574)	(5.670)	0	0
Cost end of year	**46.775**	**9.081**	**3.240**	**743**
Exchange rate adjustments	25	9	0	0
Depreciation for the year	(5.471)	(3.632)	(968)	0
Reversal regarding disposals	574	5.670	0	0
Depreciation and impairment losses end of year	**(4.872)**	**2.047**	**(968)**	**0**
Carrying amount end of year	**41.903**	**11.128**	**2.272**	**743**

Notes to consolidated financial statements

	Deposits DKK'000
11. Fixed asset investments	
Addition through business combinations etc	2.927
Exchange rate adjustments	(14)
Cost end of year	**2.913**
Carrying amount end of year	**2.913**

12. Deferred tax

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

13. Prepayments

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

14. Other provisions

Other provisions includes provisions for warranty commitments amounting to DKK 2,860k.

15. Contract work in progress

Contract work in progress is recognised as follows:

	2019 DKK'000
Contract work in progress	(2.044)
Progress billings regarding work in progress	11.890
	9.846

16. Other short-term payables

Other payables includes vendor loan raised in relation to group establishment of DKK 149,500k which is to be repaid in 2020.

	2018/19 DKK'000
17. Change in working capital	
Increase/decrease in inventories	3.423
Increase/decrease in receivables	(57.577)
Increase/decrease in trade payables etc	30.902
Other changes	(6.877)
	(30.129)

Notes to consolidated financial statements

18. Financial instruments

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

	Volume '000	Deferred recognition in equity before tax 2019 DKK'000
Currency contracts in JPY	184.111	(51)
Currency contracts in USD	8.364	(2.990)
	192.475	**(3.041)**

	2018/19 DKK'000
19. Unrecognised rental and lease commitments	
Liabilities under rental or lease agreements until maturity in total	**51.994**

20. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.

Bank loans are secured by way of a deposited mortgage deed registrered to the mortgager on plant of DKK 12,000k nominal. The carrying amount of the properties held under mortgage amounts to DKK 5,498k. The registered to mortgagor remains in the Company's possession.

Bank debt is secured by way of floating company charge for DKK 25,000k in Svanehøj Danmark A/S. Floating company charge and deposited mortgage deed is related to operating equipment and receivables at a carrying amount of DKK 69,537k.

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.

Notes to consolidated financial statements

22. Subsidiaries	Registered in	Corporate form	Equity interest %
Svanehøj Holding A/S	Danmark	A/S	100,0
Svanehøj Danmark A/S	Danmark	A/S	100,0
Hamworthy Pumps Singapore Pte. Ltd.	Singapore	Ltd.	100,0
Hamworthy Pumps UK Ltd.	England	Ltd.	100,0
Svanehøj Japan LLC	Japan	LLC	100,0

Parent income statement for 2018/19

	Notes	2018/19 DKK'000
Revenue	1	8.750
Gross profit/loss		**8.750**
Administrative expenses	2	(14.061)
Operating profit/loss		**(5.311)**
Income from investments in group enterprises		(2.451)
Other financial expenses	3	(96)
Profit/loss before tax		**(7.858)**
Tax on profit/loss for the year	4	1.190
Profit/loss for the year	5	**(6.668)**

Parent balance sheet at 31.12.2019

	Notes	2018/19 DKK'000
Property, plant and equipment in progress		744
Property, plant and equipment	6	**744**
Investments in group enterprises		337.379
Fixed asset investments	7	**337.379**
Fixed assets		**338.123**
Receivables from group enterprises		22.182
Joint taxation contribution receivable		1.300
Prepayments	8	501
Receivables		**23.983**
Cash		**726**
Current assets		**24.709**
Assets		**362.832**

Parent balance sheet at 31.12.2019

	Notes	2018/19 DKK'000
Contributed capital		35.553
Retained earnings		314.300
Equity		**349.853**
Deferred tax	9	110
Provisions		**110**
Payables to group enterprises		8.033
Other payables		4.836
Current liabilities other than provisions		**12.869**
Liabilities other than provisions		**12.869**
Equity and liabilities		**362.832**
Contingent liabilities	10	
Assets charged and collateral	11	
Related parties with controlling interest	12	
Transactions with related parties	13	

Parent statement of changes in equity for 2018/19

	Contributed capital DKK'000	Share premium DKK'000	Reserve for net revaluation according to the equity method DKK'000
Contributed upon formation	400	0	0
Increase of capital	35.153	320.968	0
Exchange rate adjustments	0	0	2.658
Value adjustments	0	0	(286)
Other entries on equity	0	0	(2.372)
Transfer to reserves	0	(320.968)	0
Profit/loss for the year	0	0	0
Equity end of year	**35.553**	**0**	**0**

	Retained earnings DKK'000	Total DKK'000
Contributed upon formation	0	400
Increase of capital	0	356.121
Exchange rate adjustments	0	2.658
Value adjustments	0	(286)
Other entries on equity	0	(2.372)
Transfer to reserves	320.968	0
Profit/loss for the year	(6.668)	(6.668)
Equity end of year	**314.300**	**349.853**

Notes to parent financial statements

1. Revenue

Revenue consist of management fee to subsidiaries.

	2018/19 DKK'000
2. Staff costs	
Wages and salaries	5.650
Pension costs	371
	6.021
Average number of employees	**2**

	Remunera- tion of manage- ment 2018/19 DKK'000
Executive Board	4.727
Board of Directors	825
	5.552

	2018/19 DKK'000
3. Other financial expenses	
Other interest expenses	96
	96

	2018/19 DKK'000
4. Tax on profit/loss for the year	
Change in deferred tax	110
Refund in joint taxation arrangement	(1.300)
	(1.190)

	2018/19 DKK'000
5. Proposed distribution of profit/loss	
Ordinary dividend for the financial year	(6.668)
	(6.668)

Notes to parent financial statements

	Property, plant and equipment in progress DKK'000
6. Property, plant and equipment	
Additions	744
Cost end of year	**744**
Carrying amount end of year	**744**

	Investments in group enterprises DKK'000
7. Fixed asset investments	
Additions	339.830
Cost end of year	**339.830**
Exchange rate adjustments	2.677
Adjustments on equity	(2.372)
Share of profit/loss for the year	(2.451)
Other adjustments	(305)
Impairment losses end of year	**(2.451)**
Carrying amount end of year	**337.379**

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

8. Prepayments

Prepayments consists of prepaid insurance.

	2018/19 DKK'000
9. Deferred tax	
Other deductible temporary differences	110
	110
Changes during the year	
Recognised in the income statement	110
End of year	**110**

Notes to parent financial statements

10. Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

11. Assets charged and collateral

There is no assets charged or collateral at the balance date.

Collateral provided for group enterprises

The Company has provided a guarantee to Svanehøj Danmark A/S for all bank debt to Sydbank. Bank loans of Svanehøj Danmark A/S amount to DKK 36,708k at 31 December 2019.

12. Related parties with controlling interest

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

13. Transactions with related parties

All transactions with related parties are made on market terms.

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).

Non-comparability
There is no comparative figures in this financial statement due to it is the first financial year.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Business combinations
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

The uniting-of-interests method is applied on acquisition of enterprises, mergers, demergers, contributions of assets and exchanges of shares, etc where the enterprises concerned are controlled by the Parent. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies. The difference between the consideration agreed and the

Accounting policies

carrying amount of the acquiree is recognised in equity. The comparative figures are restated.

The uniting-of-interests method is applied on acquisition of enterprises, mergers, demergers, contributions of assets and exchanges of shares, etc where the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of comparative figures. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

When recognising foreign subsidiaries that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in 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.

Accounting policies

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

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

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

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

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

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

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

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

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

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Accounting policies

Balance sheet

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For other amounts of goowill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as a separate asset. Useful lives are reassessed annually. The amortisation period used are 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed with related intellectual property rights and acquired intellectual property rights.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery as well as 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 year

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.

Accounting policies

Investments in group enterprises
In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If useful lives cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Accounting policies

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

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

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

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

Costs of sales work and of securing contracts as well as financecosts are recognised in the income statement as incurred.

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 or the planned settlement of each liability. 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, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Accounting policies

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.

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

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.