Svanehøj Danmark A/S

Fabriksparken 6
9230 Svenstrup J
CVR No. 25895010

Annual report 2024

The Annual General Meeting adopted the annual report on 30.06.2025

Christina Borin
Chair of the General Meeting

Contents

Entity details 2

Statement by Management 3

Independent auditor's report 4

Management commentary 7

Income statement for 2024 11

Balance sheet at 31.12.2024 12

Statement of changes in equity for 2024 14

Cash flow statement for 2024 15

Notes 16

Accounting policies 22

Entity details

Entity

Svanehøj Danmark A/S
Fabriksparken 6
9230 Svenstrup J

Business Registration No.: 25895010
Registered office: Aalborg
Financial year: 01.01.2024 - 31.12.2024

Board of Directors

Christina Margareta Borin, Chair
Søren Kringelholt Nielsen
Ole Styrbæk
Lars Foged
Lars Holland Sørensen

Executive Board

Søren Kringelholt Nielsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Østre Havnepromenade 26, 4th floor
9000 Aalborg

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Svanehøj Danmark A/S (the Entity) for the financial year 01.01.2024 - 31.12.2024.

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 31.12.2024 and of the results of its operations and cash flows for the financial year 01.01.2024 - 31.12.2024.

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, 30.06.2025

Executive Board

Søren Kringelholt Nielsen

Board of Directors

Christina Margareta Borin
Chair

Søren Kringelholt Nielsen

Ole Styrbæk

Lars Foged

Lars Holland Sørensen

Independent auditor's report

To the shareholders of Svanehøj Danmark A/S

Opinion

We have audited the financial statements of Svanehøj Danmark A/S for the financial year 01.01.2024 - 31.12.2024, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement 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 31.12.2024 and of the results of its operations and cash flows for the financial year 01.01.2024 - 31.12.2024 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.

- Plan and perform the audit of the financial statements to obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business units as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed. We remain solely responsible for our audit opinion.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the 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 by relevant law and regulations.

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

Aalborg, 30.06.2025

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

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

Thomas Simoni
State Authorised Public Accountant
Identification No (MNE) mne45826

Management commentary

Financial highlights

	2024 DKK'000	2023 DKK'000	2022 DKK'000	2021 DKK'000	2020 DKK'000
Key figures					
Revenue	675,503	674,431	693,645	439,145	388,504
Gross profit/loss	235,561	250,236	252,271	148,771	131,895
Operating profit/loss	87,758	121,102	126,160	59,819	55,254
Net financials	7,234	619	(5,468)	(1,537)	(470)
Profit/loss for the year	64,129	99,009	96,129	45,374	42,671
Total assets	644,023	470,664	451,811	370,172	227,095
Investments in property, plant and equipment	12,173	11,614	12,623	7,418	11,521
Equity	253,405	218,552	119,591	70,962	73,171
Average number of employees	198	198	198	161	141
Ratios					
Gross margin (%)	34.87	37.10	36.37	33.88	33.95
EBIT margin (%)	12.99	17.96	18.19	13.62	14.22
Net margin (%)	9.49	14.68	13.86	10.33	10.98
Return on equity (%)	27.18	58.56	100.89	62.96	85.02
Equity ratio (%)	39.35	46.43	26.47	19.17	32.22

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

Gross margin (%):
Gross profit/loss * 100
Revenue

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”) delivers critical pump solutions for the maritime sector and liquid gas storage systems. Specializing in future-proof fuel pumps, Svanehøj offers solutions compatible with LNG, LPG, ammonia, methanol, and hydrogen. Through strategic expansion, Svanehøj Danmark A/S has become a leading provider of high-performance tank control systems and hydraulic safety valves for land- and marine-based facilities. Svanehøj continues to invest in its product portfolio and services, reinforcing its role as a global specialist in liquid energy solutions.

Development in activities and finances

Svanehøj continued its growth in 2024, primarily due to order intake and order book growth. Sales remained at the 2023 level, which was anticipated, as several orders were deferred to 2025. The key achievements include:

- Leading the cargo segment with LPG, LNG, ammonia, and CO2 cargo pump solutions
- Expanding its clean fuel position by increasing sales of fuel pump solutions and launching a new submersible fuel pump series
- Enhancing its global service capabilities, providing fast, high-quality spare parts and services across 10 locations worldwide

Profit/loss for the year in relation to expected developments

In 2024 Svanehøj's revenue developed to DKK 676 million from DKK 674 million in 2023, and EBITDA of DKK 99 million compared to 128 million in 2023. Management expected an EBITDA for 2024 in the range DKK 120-130 million The variance between the outlook for 2024 and the actual result is related to postponement of orders from 2024 to 2025, as well as costs associated with the ownership transition of the Svanehøj Group in 2024.

The Company maintains its business strategy, "Let's grow together," which focuses on delivering environmentally friendly solutions as part of Svanehøj's commitment to the green transition. In 2024, Svanehøj received a record high order intake of DKK 1,137 million, 30% up from 2023, reflecting strong demand for its innovative and renewable-ready product portfolio and aftermarket services.

Outlook

Svanehøj has a strong order backlog and increased aftersales activities, providing a rock-solid foundation for 2025. The Company maintains it's position as a key player in the green energy transition in the marine industry, with a leading product portfolio and strong aftermarket business. Investments in production efficiency and product development continued during 2024, further supporting the Company’s growth in 2025. Svanehøj expects an EBITDA in the rage DKK 180-220 million for 2025.

Particular Risk

Due to its global operations, The Company's profit and equity are exposed to currency fluctuations. To mitigate this, the Company hedges against commercial currency risk using forward exchange contracts, covering projected sales and purchases. Speculative currency contracts are not used.

Research and development activities

The Company’s business objective is to develop and supply high-technology products, focusing on intellectual capital in product development. Svanehøj continuously invests in product development and innovative test methods to ensure durable and efficient solutions.

Group relations

Svanehøj Danmark A/S is a part of the Svanehøj Group, and the ultimate parent company is ITT Inc., based in Stamford CT 06902, US.

Statutory report on corporate social responsibility

The Svanehøj Group integrates sustainability and ESG principles into its operations, focusing on minimizing environmental and social impacts. The ESG report is available online on the website: https://www.svanehoj.com/esg/.

Statutory report on data ethics policy

Svanehøj is responsible for, and processes information supplied by or collected about our customers. All customer information is treated with the utmost respect for confidentiality and customer privacy. Svanehøj's clear corporate policy states that the use of personal information must respect the privacy of customers and other stakeholders and always be in compliance with the Danish Data Protection Act and the EU General Data Protection Regulation.

Income statement for 2024

	Notes	2024 DKK'000	2023 DKK '000
Revenue	1	675,503	674,431
Production costs		(439,942)	(424,195)
Gross profit/loss		**235,561**	**250,236**
Distribution costs		(59,939)	(56,126)
Administrative expenses	2	(89,814)	(75,446)
Other operating income		1,950	2,438
Operating profit/loss		**87,758**	**121,102**
Income from investments in group enterprises		(8,043)	5,165
Other financial income	5	12,215	3,087
Other financial expenses	6	(4,981)	(2,468)
Profit/loss before tax		**86,949**	**126,886**
Tax on profit/loss for the year	7	(22,820)	(27,877)
Profit/loss for the year	8	**64,129**	**99,009**

Balance sheet at 31.12.2024

Assets

	Notes	2024 DKK'000	2023 DKK'000
Completed development projects	10	24,577	20,354
Acquired intangible assets		551	960
Goodwill		6,209	7,237
Intangible assets	9	**31,337**	**28,551**
Land and buildings		17,693	17,945
Plant and machinery		29,266	21,842
Other fixtures and fittings, tools and equipment		1,788	2,085
Property, plant and equipment	11	**48,747**	**41,872**
Investments in group enterprises		33,675	41,405
Financial assets	12	**33,675**	**41,405**
Fixed assets		**113,759**	**111,828**
Raw materials and consumables		58,247	68,464
Work in progress		91,400	29,376
Manufactured goods and goods for resale		0	6,586
Prepayments for goods		1,500	535
Inventories		**151,147**	**104,961**
Trade receivables		132,340	56,526
Receivables from group enterprises		182,060	136,726
Other receivables		10,453	35,057
Prepayments	13	2,573	2,152
Receivables		**327,426**	**230,461**
Cash		**51,691**	**23,414**
Current assets		**530,264**	**358,836**
Assets		**644,023**	**470,664**

Equity and liabilities

	Notes	2024 DKK'000	2023 DKK'000
Contributed capital		26,250	26,250
Reserve for net revaluation according to the equity method		0	6,902
Reserve for development expenditure		19,173	15,876
Retained earnings		137,982	139,524
Proposed dividend		70,000	30,000
Equity		**253,405**	**218,552**
Deferred tax	14	11,943	9,056
Other provisions	15	1,732	539
Provisions		**13,675**	**9,595**
Lease liabilities		640	2,044
Other payables		0	11,546
Non-current liabilities other than provisions	16	**640**	**13,590**
Current portion of non-current liabilities other than provisions	16	854	854
Bank loans		7	3
Prepayments received from customers		164,482	100,882
Trade payables		117,414	50,096
Payables to group enterprises		54,417	27,101
Tax payable		17,981	25,671
Other payables	17	21,148	24,320
Current liabilities other than provisions		**376,303**	**228,927**
Liabilities other than provisions		**376,943**	**242,517**
Equity and liabilities		**644,023**	**470,664**

Staff costs	3
Amortisation, depreciation and impairment losses	4
Unrecognised rental and lease commitments	19
Contingent liabilities	20
Assets charged and collateral	21
Related parties with controlling interest	22
Transactions with related parties	23
Group relations	24

Statement of changes in equity for 2024

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	26,250	6,902	15,876	139,524	30,000
Ordinary dividend paid	0	0	0	0	(30,000)
Exchange rate adjustments	0	724	0	0	0
Transfer to reserves	0	(7,626)	3,297	4,329	0
Profit/loss for the year	0	0	0	(5,871)	70,000
Equity end of year	**26,250**	**0**	**19,173**	**137,982**	**70,000**

	Total DKK'000
Equity beginning of year	218,552
Ordinary dividend paid	(30,000)
Exchange rate adjustments	724
Transfer to reserves	0
Profit/loss for the year	64,129
Equity end of year	**253,405**

Cash flow statement for 2024

	Notes	2024 DKK'000	2023 DKK'000
Operating profit/loss		87,758	121,102
Amortisation, depreciation and impairment losses		11,546	7,350
Working capital changes	18	17,927	(34,657)
Cash flow from ordinary operating activities		**117,231**	**93,795**
Financial income received		641	163
Financial expenses paid		(3,367)	(2,468)
Taxes refunded/(paid)		(26,490)	(22,986)
Cash flows from operating activities		**88,015**	**68,504**
Acquisition etc of intangible assets		(9,037)	(15,760)
Acquisition etc of property, plant and equipment		(12,173)	(11,614)
Acquisition of enterprises		0	(33,488)
Disposal of enterprises		412	0
Loans to group enterprises		(19,195)	(57,678)
Interest recieved from group loans		11,574	2,615
Cash flows from investing activities		**(28,419)**	**(115,925)**
Free cash flows generated from operations and investments before financing		**59,596**	**(47,421)**
Repayments of loans etc		0	(2,492)
Reduction of lease commitments		(1,404)	(956)
Dividend paid		(30,000)	0
Cash flows from financing activities		**(31,404)**	**(3,448)**
Increase/decrease in cash and cash equivalents		**28,192**	**(50,869)**
Cash and cash equivalents beginning of year		23,414	74,222
Currency translation adjustments of cash and cash equivalents		85	61
Cash and cash equivalents end of year		**51,691**	**23,414**
Cash and cash equivalents at year-end are composed of:			
Cash		51,691	23,414
Cash and cash equivalents end of year		**51,691**	**23,414**

Notes

1 Revenue

	2024 DKK'000	2023 DKK'000
Europe	198,416	349,178
Asia	240,826	148,859
Rest of the world	236,261	176,394
Total revenue by geographical market	**675,503**	**674,431**
New build	464,259	458,599
Aftersales	211,244	215,832
Total revenue by activity	**675,503**	**674,431**

2 Fees to the auditor appointed by the Annual General Meeting

	2024 DKK'000	2023 DKK'000
Statutory audit services	408	240
Tax services	53	935
Other services	11	353
	472	**1,528**

3 Staff costs

	2024 DKK'000	2023 DKK'000
Wages and salaries	126,071	121,590
Pension costs	15,579	15,786
Other social security costs	1,447	1,327
	143,097	**138,703**

Average number of full-time employees	198	198

	Remuneration of Management 2024 DKK'000	Remuneration of Management 2023 DKK'000
Executive Board	3,373	2,955
Board of Directors	100	100
	3,473	**3,055**

Remuneration includes salary, bonus, pension and other benefits. Remuneration of the Executive Board includes remuneration to all members of the Executive Board during the financial year.

4 Depreciation, amortisation and impairment losses

	2024 DKK'000	2023 DKK'000
Amortisation of intangible assets	6,251	3,964
Depreciation of property, plant and equipment	5,295	3,386
	11,546	**7,350**

5 Other financial income

	2024 DKK'000	2023 DKK'000
Financial income from group enterprises	11,574	2,615
Other interest income	641	163
Exchange rate adjustments	0	309
	12,215	**3,087**

6 Other financial expenses

	2024 DKK'000	2023 DKK'000
Financial expenses from group enterprises	1,456	0
Other interest expenses	1,911	2,468
Exchange rate adjustments	1,614	0
	4,981	**2,468**

7 Tax on profit/loss for the year

	2024 DKK'000	2023 DKK'000
Current tax	17,936	25,671
Change in deferred tax	2,887	1,886
Adjustment concerning previous years	1,997	320
	22,820	**27,877**

8 Proposed distribution of profit and loss

	2024 DKK'000	2023 DKK'000
Ordinary dividend for the financial year	70,000	30,000
Retained earnings	(5,871)	69,009
	64,129	**99,009**

9 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000
Cost beginning of year	36,133	9,070	10,285
Additions	9,037	0	0
Cost end of year	**45,170**	**9,070**	**10,285**
Amortisation and impairment losses beginning of year	(15,779)	(8,110)	(3,048)
Amortisation for the year	(4,814)	(409)	(1,028)
Amortisation and impairment losses end of year	**(20,593)**	**(8,519)**	**(4,076)**
Carrying amount end of year	**24,577**	**551**	**6,209**

10 Development projects

Completed development projects compromise development etc. of machinery and equipment within all of the Company's business areas. As of 31 December 2024, the carrying amount of completed development projects amounts to DKK 24,580 thousand. The amortisation period for completed development projects is set to be 5 years. Management has not identified any indication of impairment regarding the carrying amount of completed development projects.

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	62,547	46,061	11,404
Additions	267	11,533	373
Cost end of year	**62,814**	**57,594**	**11,777**
Depreciation and impairment losses beginning of year	(44,602)	(24,220)	(9,321)
Depreciation for the year	(519)	(4,108)	(668)
Depreciation and impairment losses end of year	**(45,121)**	**(28,328)**	**(9,989)**
Carrying amount end of year	**17,693**	**29,266**	**1,788**
Recognised assets not owned by entity	0	3,757	0

12 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	34,503
Disposals	(7)
Cost end of year	**34,496**
Impairment losses beginning of year	6,902
Exchange rate adjustments	724
Amortisation of goodwill	(1,170)
Share of profit/loss for the year	(6,873)
Reversal regarding disposals	(404)
Impairment losses end of year	**(821)**
Carrying amount end of year	**33,675**

Goodwill recognized at the balance sheet date amounts to DKK 9,705 thousand (2023: DKK 10.875 thousand). The amortisation period has been set at 10 years.

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
Svanehoj France SAS	France	Simplified Limited Copany	100.00
Complete Cryogenic Services Inc.	USA	Incorporated	100.00
Svanehoj China Co., Ltd.	China	Limited	100.00

13 Prepayments

Prepayments includes prepaid expenses as insurance and software licenses.

14 Deferred tax

	2024 DKK'000	2023 DKK'000
Intangible assets	6,085	5,104
Property, plant and equipment	3,161	2,749
Inventories	2,896	935
Receivables	(383)	(87)
Provisions	184	(119)
Liabilities other than provisions	0	474
Deferred tax	**11,943**	**9,056**

Changes during the year	2024 DKK'000	2023 DKK'000
Beginning of year	9,056	7,104
Recognised in the income statement	2,887	1,952
End of year	**11,943**	**9,056**

15 Other provisions

Other provisions contain provisions for warranty commitments.

16 Non-current liabilities other than provisions

	Due within 12 months 2024 DKK'000	Due within 12 months 2023 DKK'000	Due after more than 12 months 2024 DKK'000
Lease liabilities	854	854	640
	854	**854**	**640**

Lease liabilities due after more than 5 years are DKK 0.

17 Other payables

	2024 DKK'000	2023 DKK'000
Wages and salaries, personal income taxes, social security costs, etc payable	1,202	4,965
Holiday pay obligation	7,322	6,704
Other costs payable	12,624	12,651
	21,148	**24,320**

18 Changes in working capital

	2024 DKK'000	2023 DKK'000
Increase/decrease in inventories	(46,184)	54,359
Increase/decrease in receivables	(51,632)	(45,165)
Increase/decrease in trade payables etc	115,743	(43,851)
	17,927	**(34,657)**

19 Unrecognised rental and lease commitments

	2024 DKK'000	2023 DKK'000
Liabilities under rental or lease agreements until maturity in total	**1,630**	**939**

20 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.

21 Assets charged and collateral

Bank loans are secured by way of a deposited mortgage deed registered to the lender on land and properties of DKK 12,000 thousand nominal (2023: DKK 12,000 thousand nominal). The carrying amount of mortgaged land and properties is DKK 17,693 thousand. The registered land and properties remain in the Company’s possession.

Bank guarantee provided for customers amounts to DKK 69,348 thousand (2023: DKK 50,698 thousand).

Collateral provided for group enterprises

The Company has provided a guarantee to Svanehoj France SAS for all bank debt to Sydbank. Bank loans of Svanehoj France SAS amount to DKK 0 at 31 December 2024.

22 Related parties with controlling interest

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

ITT Corporation (ITT Inc.), Stamford US, has controlling interest in Svanehøj Group A/S.

23 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 were conducted in the financial year.

24 Group relations

Referring to section 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. Name, registered office and identification number of the Parent preparing consolidated financial statements for the largest group is:

- ITT Inc.
- Based in Stamford CT 06902, United States of America
- Entity ID-number: 81-1197930

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: ITT Italia s.r.l., based in Barge CN 12032, Italy.

Copies of the consolidated financial statements of ITT Inc. and ITT Italia s.r.l. may be ordered at the following address: Svanehøj Danmark A/S, Fabriksparken 6, 9230 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 accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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 transaction of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

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 operating income

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

Income from investments in group enterprises

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

Other financial income

Other financial income comprises 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.

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

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

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

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

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

	Useful life
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.

Investments in group enterprises
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 or minus unrealised intra-group profits or 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 the reserve for net revaluation according to the equity method in equity.

Investments in group enterprises 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.

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

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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

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

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

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

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash.