Dantherm
CONTROL YOUR CLIMATE

ANNOUNCEMENT OF FINANCIAL STATEMENTS 2013

Dantherm realised revenue of DKK 482m for 2013, which is on a par with revenue in 2012. An operating profit (EBIT) of DKK 5.2m was posted, up DKK 11.4m relative to 2012. Revenue and EBIT were in line with the most recently announced outlook.

Torben Duer, President & CEO:
'The results for 2013 have improved in relation to last year due to the efficiency measures and cost reductions introduced. The strategic focus on market presence and product development continued, with costs and investments totalling DKK 15m within the two business segments HVAC and Telecom. This fuels our expectations of growth and thus improved revenue and earnings in the coming years.

The strategic analysis aimed at strengthening business development and capital base is under way and we will report on the results once the analysis is ready, probably in H1 2014."

Developments in Q4 2013
- Revenue was DKK 126m against DKK 119m in Q4 2012, representing the highest quarterly revenue in 2013.
- An operating profit (EBIT) of DKK 3.2m was posted against a loss of DKK 9.1m in Q4 2012.
- A loss before tax (EBT) of DKK 0.8m, corrected for the share of the profit/loss after tax in associates, was posted, cf. below, against a loss of DKK 12.7m in Q4 2012.
- Cash flows from operating activities were DKK -0.7m against DKK 6.2m in Q4 2012.

Developments in 2013
- Dantherm realised revenue of DKK 482m, which is on a par with revenue in 2012. Revenue within HVAC fell by 11%, while revenue within Telecom increased by 25%.
- An operating profit (EBIT) of DKK 5.2m was posted against a loss of DKK 6.2m in 2012.
- Revenue and EBIT were in line with the most recently announced outlook.
- In 2013, the share of the profit/loss after tax in associates has had a negative impact on the profit before tax of DKK 18.5m as a result of impairment of investments in and loans to Dantherm Power.
- Dantherm's EBT adjusted for write-downs in respect of Dantherm Power was improved by DKK 7.5m relative to 2012.
- Cash flows from operating activities totalled DKK -0.3m against DKK 19.8m in 2012, when cash flows were positively affected by the reduction in working capital as a result of lower activity levels.
- The net interest-bearing debt amounted to DKK 203.2m at the end of 2013 against DKK 188.3m at the end of 2012.

Capital structure
- As mentioned in company announcement no. 13 of 16 October 2013, Dantherm has received an unsolicited indication of interest from a potential buyer. Consequently, the Board of Directors decided to launch an analysis in order to evaluate the enquiry in the best possible way. The analysis is still ongoing and will be used by the Board of Directors to consider Dantherm's general strategic options for a strengthening of business development and capital base. The results of the analysis will be reported once they are ready, probably in H1 2014.
- In April 2012, Dantherm signed an agreement with the primary credit institutions on committed facilities to expire on 1 May 2014. In February 2014, Dantherm renegotiated its agreement with the primary credit institutions which have granted an extension of the agreement until 31 March 2015.

Outlook for 2014
In 2014, Dantherm expects revenue in the region of DKK 500-525m and an operating profit (EBIT) of DKK 10-15m.

Impact relating to the analysis initiated in October 2013 is not recognised in the expectations for operating profit (EBIT).

Annual general meeting
The annual general meeting will be held on Wednesday, 26 March 2014 at 3 pm at Dantherm A/S, Marienlystvej 65, Skive, Denmark.

The complete annual report is enclosed with this company announcement and is also available at Dantherm A/S's website, www.dantherm.com.

Any enquiries concerning this announcement can be directed to President & CEO Torben Duer on tel. +45 99 14 90 14.

ANNUAL REPORT 2013

Dantherm®

CONTROL YOUR CLIMATE

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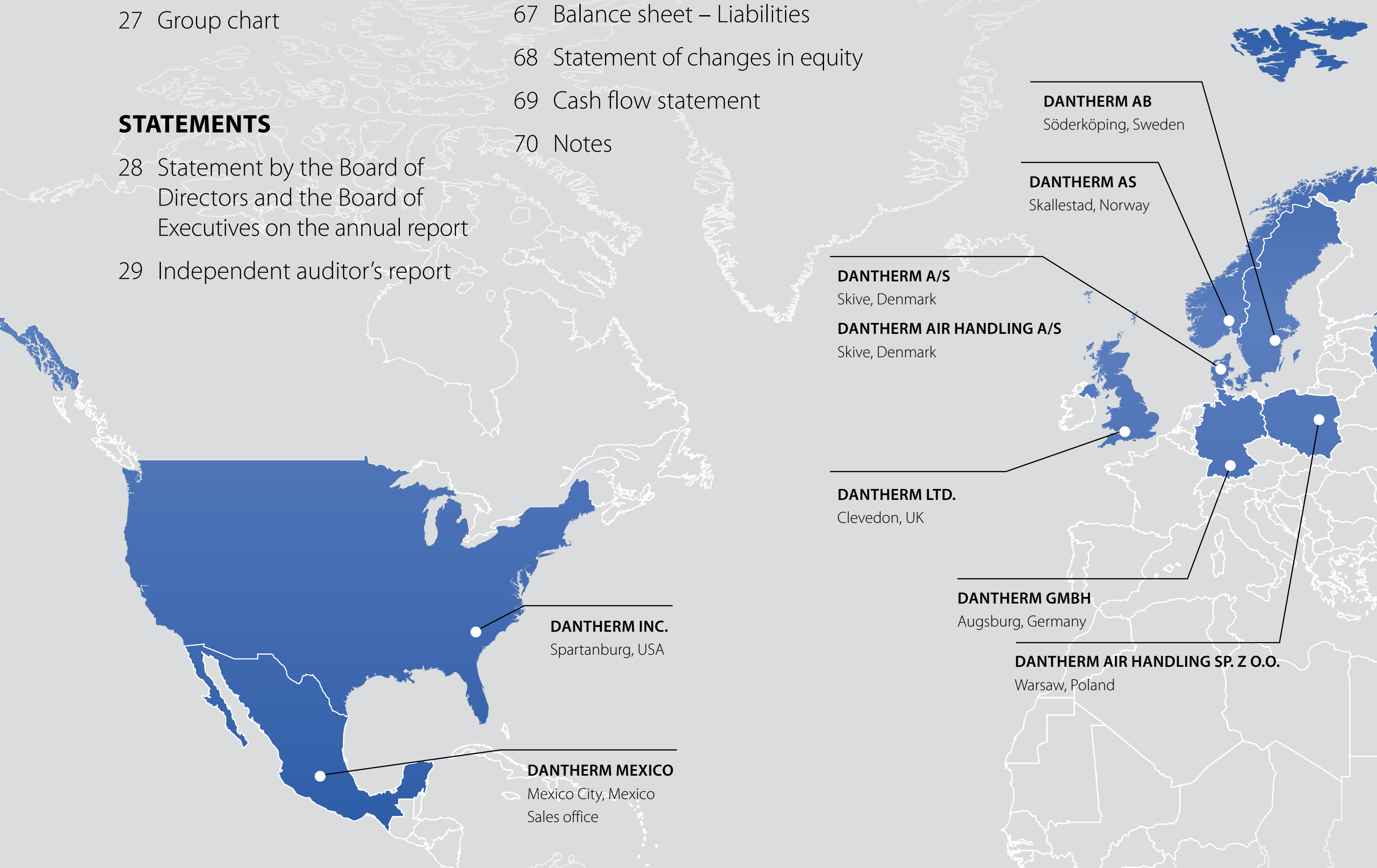


DANTHERM

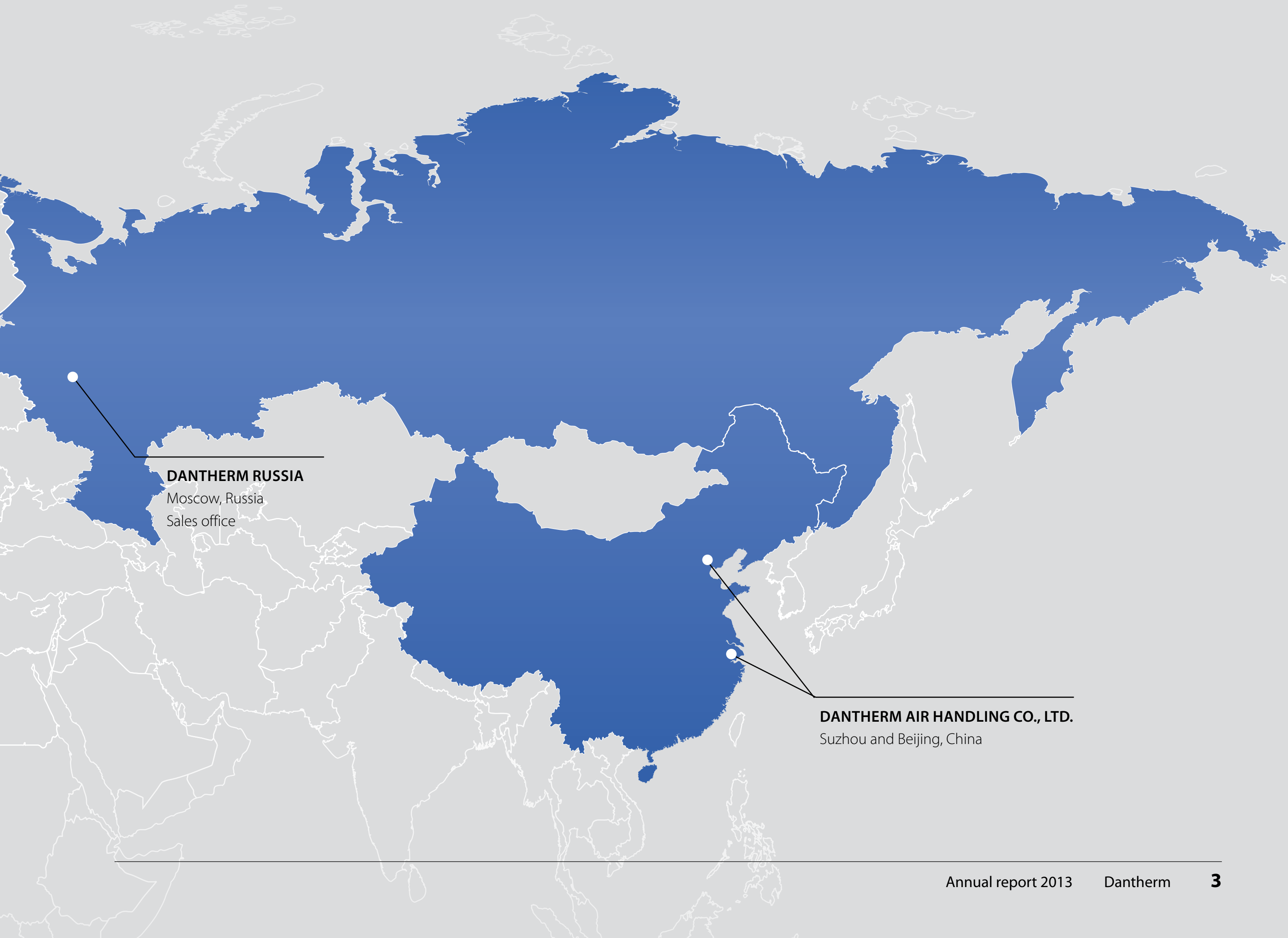
Dantherm was founded in 1958 by Ejlert Olsen, the company's first product being a warm air heater for heating workshops and industrial buildings. In the 1970s, the product portfolio was extended to include dehumidifiers and ventilation products, and in the 1980s also to include mobile heating and cooling units for the armed forces and aid organisations. In the 1990s, climate control products for the telecom industry were added.

Today, Dantherm is divided into two business segments: HVAC (Heating, Ventilation, Air Conditioning) and Telecom.

Within the HVAC business segment, Dantherm is an important European provider of products and solutions based on more than 50 years of experience within the heating, ventilation, cooling and dehumidification of air.

Within the Telecom business segment, Dantherm is a leading global supplier of climate control products for radio base stations in telecom networks.

Dantherm's special competencies comprise extensive know-how within climate control, product development expertise and state-of-the-art production and test facilities in Europe, Asia and North America.



FINANCIAL HIGHLIGHTS 2013

DKK '000	2013	2012	2011	2010[1]	2009[1]
KEY FIGURES					
Income statement:					
Revenue	481,525	482,057	550,312	464,626	431,185
Earnings before depreciation, amortisation etc. (EBITDA)	23,308	12,516	43,387	31,717	-12,023
Earnings before impairment of goodwill (EBITA)	5,200	-6,172	22,528	6,854	-68,661
Goodwill impairment	0	0	0	0	-23,636
Operating profit/loss (EBIT)	5,200	-6,172	22,528	6,854	-92,297
Net financials	-15,540	-11,747	-12,771	-20,701	-20,723
Profit/loss from continuing operations before associates	-10,340	-17,919	9,757	-13,847	-113,020
Share of profit/loss after tax in associates	-18,527	0	0	-30,686	0
Profit/loss before tax	-28,867	-17,919	9,757	-44,533	-113,020
Net profit/loss for the year from discontinued operations	0	0	-1,423	-1,945	-181,491
The group's share of the net profit/loss for the year	-28,040	-16,523	4,278	-43,850	-293,050
Balance sheet at year-end:					
Working capital	70,316	61,755	92,267	87,622	191,223
Net interest-bearing debt	203,157	188,326	187,081	186,865	459,084
Balance sheet total	404,546	415,138	462,688	457,389	1,055,527
Equity	86,649	111,900	129,550	128,777	166,932
Invested capital including goodwill	289,806	300,226	316,631	315,642	626,016
Cash flows:					
Cash flow from operating activities	-347	19,829	19,775	3,176	76,864
Cash flow from investing activities	-15,200	-20,434	-19,857	100,499	-26,784
– Of which acquisitions/sales of subsidiaries and activities	0	0	-645	107,289	0
– Of which acquisitions of property, plant and equipment	-1,516	-2,590	-2,499	-933	-13,607
Cash flow from financing activities	-6,854	-10,845	-12,797	-68,618	-25,401
Cash flow from discontinued operations	0	0	-1,005	60,350	-55,461
RATIOS					
Financial ratios:					
Growth rate	-0.1%	-12.4%	18.4%	7.8%	-
Profit margin	1.1%	-1.3%	4.1%	1.5%	-21.4%
Return on invested capital	1.8%	-2.0%	7.1%	1.5%	-
Equity interest	21.4%	27.0%	28.0%	28.4%	16.8%
Average number of employees	491	548	585	537	578
Share-related ratios:					
Earnings per share (EPS), DKK	-3.94	-2.32	0.60	-6.17	-41.22
Diluted earnings per share (EPS-D), DKK	-3.94	-2.32	0.60	-6.17	-41.22
Cash flow per share, DKK	-0.05	2.79	2.78	0.45	10.81
Dividend per share, DKK	0.00	0.00	0.00	0.00	0.00
Equity value at year-end, DKK	12.1	15.6	18.0	18.1	24.7
Share price at year-end, DKK	14.2	14.7	13.9	18.0	20.0
Price/equity value	1.18	0.94	0.77	1.00	0.81
Number of shares of DKK 10 each at year-end ('000) (2007-2010: DKK 50)	7,191	7,191	7,191	7,191	7,191

1 The financial highlights for 2009 and 2010 have been presented in accordance with IFRS 5 for discontinued operations with the effect of the discontinued operations being shown separately in the income statement, balance sheet and cash flow statement.

The ratios are prepared in accordance with the Danish Society of Financial Analysts' 'Recommendations and Financial Ratios 2010' and IAS 33. Reference is also made to the ratio definitions on page 62.

MANAGEMENT INTERVIEW

WHICH GOALS DID DANTHERM ACHIEVE IN 2013?
Dantherm's goals for 2013 centred on four strategic focus areas – market presence, product development, cost efficiency and capital structure.

In relation to market presence, we have achieved our goal of establishing a subsidiary in Germany and sales offices in Russia and Mexico. Within product development, we have, among other things, launched a new product programme within domestic ventilation and further developed the product programmes for swimming pool ventilation, mobile ventilation/heat recovery and for electronics cooling for telecom network operators. The cost-efficiency targets have been achieved through capacity cost savings and productivity improvements, especially in product assembly. The work relating to strengthening the capital structure has concentrated on the strategic analysis which was initiated in the autumn and this is still in progress.

In 2013, costs and investments relating to market presence and product development totalled DKK 15m.

... AND WHICH GOALS HAVEN'T BEEN ACHIEVED?
The goal of growing sales to the telecom network operators has not been achieved. The main reason is that large projects have been postponed, and that the process regarding test installations and thus validation of energy savings has taken longer than expected, but with good results. In addition, the network operators have been focusing more on establishing new networks and upgrading to 4G technology than on optimising climate control.

HOW DID REVENUE DEVELOP IN 2013?
Revenue for the Telecom business segment has grown 25% as a result of larger sales to network suppliers, while sales to network operators was slightly lower than in 2012. At the beginning of the year, we expected increased revenue driven by growth in sales to network operators, but as mentioned above, this goal has not been achieved. Our market development initiatives have continued, and we expect sales to network operators to increase in 2014.

Revenue for the HVAC business segment as a whole is 11% lower than in 2012, but largely on a par with the outlook for the year. The business area dehumidification saw 10% growth in revenue due, among other things, to larger sales as a result of the floods in Germany. The business area

Jørgen Møller-Rasmussen
Chairman of the Board of Directors

Torben Duer
President & CEO

ventilation has posted revenue on a par with 2012. It is within the business area mobile heating & cooling that revenue is significantly lower than in 2013 – yet at a normalised level – after high sales to a single market in 2012.

... AND THE OPERATING PROFIT?

EBIT has improved from a loss of DKK 6.2m in 2012 to a profit of DKK 5.2m in 2013. The improvement is primarily attributable to the cost savings which were implemented throughout the year, among other things the optimisation and lean project for administrative processes which was launched at the end of 2012.

WHAT IS THE MARKET OUTLOOK FOR HVAC?

The HVAC segment comprises three business areas – dehumidification, ventilation and mobile heating & cooling. In the past four years, the HVAC segment has seen stable revenue, but with fluctuations within the individual business areas. In the coming years, ventilation is expected to continue to grow as a result of the increasing focus on indoor climate and energy efficiency – both as a result of the savings realised through lower energy consumption and because of stricter statutory requirements. Within dehumidification and mobile heating, the outlook is influenced by low economic growth in Europe, and focus is therefore on growth opportunities in new markets and customer segments or through sector consolidation.

... AND FOR TELECOM?

The Telecom segment has two customer groups – network suppliers and customer operators. Dantherm supplies climate control to the largest network suppliers, and we expect stable revenue from this customer group in the coming years.

Dantherm started its strategic development of the network operator business area in 2010, and is today approved as a supplier to thirteen of the world's top 21 network operators. Worldwide, we have installed products for approx. 50 network operators. We expect to see significant demand for energy-efficient climate control solutions from the network operators in the coming years, leading to increased revenue for Dantherm.

WHY DID THE BOARD OF DIRECTORS LAUNCH A STRATEGIC ANALYSIS LAST AUTUMN?

Dantherm received an unsolicited indication of interest from a potential buyer. The Board of Directors decided to initiate an analysis in order to evaluate the enquiry in the best possible way, and Handelsbanken Corporate Finance was engaged to assist Dantherm in this task. As described in the annual report for 2012, one of Dantherm's strategic focus areas is to strengthen the company's business development and capital base, and the analysis will be used by the Board of Directors to consider Dantherm's general strategic options.

Dantherm is a modern business with solid market references and considerable know-how within climate control. The existing capital base is restricting our growth potential, and the analysis will show how to best realise Dantherm's potential and create lasting improvements in revenue, earnings and cash flows for the benefit of the business and its owners.

... AND WHAT IS THE STATUS?

The current status is that the strategic analysis is under way, and that we will report on the results once the analysis is ready, probably in H1 2014.

HOW IS IT GOING WITH DANTHERM POWER?

The activities in Dantherm Power comprise the development and sale of fuel cell products for backup power plants, primarily to the telecom industry and CHP units for private homes. In 2013, the level of business development in Dantherm Power was weaker than expected, with considerably lower revenue than in 2012. Against this background, the shareholders in Dantherm Power have converted loans to the company into equity, and, in compliance with Dantherm's accounting policies, we have written down the carrying amount of Dantherm Power.

... AND WITH DANTHERM POWER'S OWNERSHIP STRUCTURE?

In 2013, Dantherm Power's partner in China, Azure Hydrogen Energy Science and Technology Corporation, invested USD 2m in a 10% stake in Dantherm Power. The head of Azure became a member of Dantherm Power's Board of Directors, through which he will help the company to achieve commercial success in China. Following the deal, Ballard owns 51.3%, and Dantherm owns 38.7% of Dantherm Power.

WHAT IS THE OUTLOOK FOR 2014?

We expect the large number of initiatives we have launched in recent years within market and product development to lead to increased revenue and earnings in 2014.

Within the Telecom business segment, we are still dependent on telecom companies investing in new mobile networks, and on existing networks being modernised with energy-efficient climate control systems. Within the HVAC business areas, we are dependent on the economic situation in Europe, where growth remains low. On the other hand, we see growth potential for many of our products, which enable customers to save energy while at the same time improving the indoor climate.

… AND WHAT IS THE LONG-TERM STRATEGY?

Dantherm is an ambitious company with considerable development potential, but the current capital base is curtailing growth possibilities. It is Dantherm's goal to become a market leader with our Telecom and HVAC products and solutions, and the growing need for energy-efficient products offers good opportunities for growth.

With the clear objective of increasing revenue and improving earnings, the strategy is still centred on the four focus areas – market presence, product development, cost efficiency and capital structure. During the strategy period we have prioritised a number of strategic options within the two business segments; these will underpin the long-term development of the business. A strengthening of the capital base will improve our scope for realising the strategy plan.

THANK YOU FROM THE BOARD OF DIRECTORS AND THE BOARD OF EXECUTIVES

On behalf of the Board of Directors and the Board of Executives, we would like to thank our customers, shareholders and business partners for their loyalty to Dantherm in 2013. Also, a heartfelt thank-you to Dantherm's employees for their dedicated and hard work for the group.

STRATEGY

In 2013, Dantherm's management continued to focus on the strategic initiatives which are to help the company realise its objective of growth in revenue and earnings for the different business areas.

AMBITION

It is Dantherm's ambition to increase the company's market value by increasing earnings and strengthening our market position to achieve growth in revenue, thereby making Dantherm a more attractive company to shareholders, customers and employees.

FOUNDATION

The ambition is based on a strong foundation which comprises Dantherm's sales and production set-ups in Europe, Asia and North America and markets of a significant size and growth potential.

FOCUS AREAS

Dantherm's strategy is based around four focus areas: market presence, product development, cost efficiency and capital structure. An important precondition for realising the strategy is a strengthening of the company's capital base.

Market presence:
The strategy for the coming years is to establish Dantherm in selected markets through the targeted expansion of our distributor network and our own organisation. This will bring us closer to our customers and enable us to better support our partners.

Product development:
The strategy involves continuing the development of Dantherm's energy-efficient product programmes to ensure that we always offer the best products on the market and that we live up to increasing statutory requirements and customer needs. Dantherm already devotes considerable resources to product development in Denmark, China and the USA, based on a global product programme adapted to local needs and requirements.

Cost efficiency:
The strategy includes continuous improvement of administrative processes and manufacturing productivity. In addition, the strategy includes a reduction in materials consumption and other operating expenses.

Capital structure:
The strategy focuses on ensuring a capital structure which offers the best possibilities for investments in market presence and product development. This includes optimising the working capital and the invested capital. Dantherm will continue to assess possible partnerships which can contribute to further business development and a strengthening of the company's capital base.

IMPORTANT EVENTS

ESTABLISHMENT OF COMPANY IN GERMANY AND SALES OFFICES IN RUSSIA AND MEXICO

As part of Dantherm's strategy to increase its market presence, in 2013 a company was established in Germany, Dantherm GmbH, and sales offices in Moscow and Mexico City. The German company and these sales offices are initially intended to service the Telecom network operators, which is one of Dantherm's key growth areas.

PRODUCT DEVELOPMENT

Dantherm has development departments in Denmark, China and the USA, and in 2013 allocated 5% of revenue to development activities. In 2013, for example, new products have been developed for Telecom network operators, a new product programme has been launched within domestic ventilation for the German market, and a compact ventilation system has been developed for smaller swimming pools and wellness centres (see photo).

EFFICIENCY INCREASES

At the end of 2012, the Danish operating company launched a project to streamline the administrative processes. In 2013, this resulted in a number of cost savings, and the project will continue in 2014. In addition, lean projects have been implemented at Dantherm's factories, which has significantly improved productivity, especially in China and the USA.

CAPITAL STRUCTURE

In October 2013, Dantherm's Board of Directors received an unsolicited indication of interest from a potential buyer. The Board of Directors decided to launch an analysis in order to evaluate the enquiry in the best possible way. The analysis will be included in the Board of Directors' evaluation of Dantherm's total strategic options, including how the capital base can be strengthened so that Dantherm's growth potential can be realised.

OVERVIEW 2013

EARNINGS PERFORMANCE AND BUSINESS DEVELOPMENT

Dantherm's revenue and operating profit (EBIT) for 2013 were on a par with the outlook announced in the interim report for Q3 2013, and the operating profit has improved in relation to 2012.

Consolidated revenue was on a par with 2012. Revenue within Telecom increased 25%, while revenue within HVAC fell 11%. The growth in revenue within Telecom results from higher sales to network suppliers in 2013, where sales in 2012 were extraordinarily low.

The lower revenue within HVAC is due to normalised sales of mobile heating and cooling products to the armed forces compared with extraordinarily high sales in 2012.

In 2013, Dantherm continued to focus on increased market presence and product development through the establishment of local offices on new markets and launching new products within several business areas. The initiatives have not produced the desired growth in revenue in 2013, but the market potential for increased future growth is still considered to be the same.

In 2013, Dantherm took a targeted approach to reducing direct and fixed costs by implementing a number of 'lean' activities at all its factories and through an optimisation project to streamline its administrative processes in Denmark. As a result of these measures the fixed costs are reduced by DKK 11.4m relative to 2012.

CAPITAL STRUCTURE

In October 2013, Dantherm's Board of Directors launched an analysis of possible ways of strengthening the company's capital base. Dantherm's present capital base is limiting the company's growth potential, and the purpose of the analysis is to assess how to create the foundation for lasting improvements in revenue, earnings and cash flow. The analysis is still in progress, with completion expected in H1 2014.

In April 2012, Dantherm signed an agreement with the primary credit institutions on committed facilities to expire on 1 May 2014. In February 2014, the agreement has been renegotiated, and the credit institutions have undertaken to extend the agreement until 31 March 2015. The agreed credit limits are on a par with the budgeted liquidity requirement, and the management has a number of options for making adjustments to ensure additional liquidity if needed.

OUTLOOK FOR 2014

Market growth within HVAC is expected to remain moderate and impacted by developments in the European economy. For several product areas within HVAC, growth is expected to be driven by increased focus on the indoor climate and energy efficiency.

Within Telecom, market growth will depend on the development in wireless communication globally as well as the level of investments in new telecom networks or upgrades of existing networks.

The underlying growth assumptions for increased wireless communication are expected to continue in 2014, driven by an increase in the number of mobile subscribers and increased data traffic. As the investments involved are usually substantial, the timing of such large projects can still result in considerable volatility in Dantherm's sales.

Dantherm's strategic measures aimed at an increased market presence, product development, cost efficiency and capital structure will continue in order to support the growth strategy.

In 2014, Dantherm expects a revenue of DKK 500-525m and an operating profit (EBIT) of DKK 10–15m.

Impact relating to the analysis initiated in October 2013 is not recognised in the expectations for EBIT.

HVAC

FACTS 2013

MANAGEMENT

Jesper Holm Thorstensen
CEO, HVAC since 2010
Born 1969
MSc in Engineering
Joined Dantherm in 1995

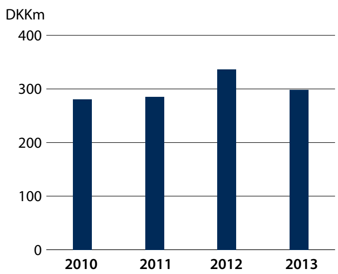
COMPANIES

Production takes place at the factory in Denmark. The products are sold from the Danish company to subsidiaries in Norway, the UK and Sweden and via a wide distributor network in Europe.

EMPLOYEES

274

REVENUE



MARKET DEVELOPMENT

Within HVAC, Dantherm's principal market is Europe. The markets are largely niche markets where Dantherm has a strong market position and a customer base of more than 4,000 customers.

Within dehumidification, the market is generally stable but has been influenced by the floods in Germany in summer 2013.

Within mobile heating and cooling, market developments have generally been influenced by lower defence spending.

Market developments within ventilation are influenced by the level of building activity in Europe. In 2013, market growth has continued as a result of the increasing focus on energy efficiency and on improving the indoor climate in private homes. Market growth is also supported by legislation relating to energy consumption.

DEVELOPMENTS IN 2013

Financial development

Revenue within HVAC totalled DKK 298m in 2013 against DKK 336m in 2012, a drop of 11%.

Within dehumidification, revenue increased 10% relative to 2012, primarily due to more sales in connection with the floods in Germany and increasing sales of dehumidifier products in Norway in 2013.

Revenue within ventilation is on a par with 2012 for both home ventilation products and ventilation solutions for swimming pools.

Revenue within mobile heating and cooling normalised in 2013 after extraordinarily high sales to a single market in 2012.

During the year, focus has been on reducing capacity costs, which has resulted in savings of DKK 12m relative to 2012.

In 2013, EBITDA totalled DKK 29m (10% of revenue) against DKK 36m (11% of revenue) in 2012.

10%
is the earnings before interest, tax, depreciation and amortisation (EBITDA) from HVAC revenue in 2013.

Business development

In 2013, the focus was still on increasing sales activities through an expansion of the customer base and increased dealer cover. Focus has also been on raising Dantherm's general profile and generating more customer contacts by developing the company's online presence.

To maintain and expand its market position, in 2013 Dantherm launched a number of new products within ventilation, dehumidification and mobile heating and cooling.

As an important element for the company's continued development and improved profitability within HVAC, in 2013 the lean activities continued to ensure that the administrative processes and production are continually streamlined.

STRATEGY

Strategic activities will continue within the three focus areas: market presence, product development and cost efficiency.

In 2014, the activities within market presence will focus on increasing market share through greater sales efforts by Dantherm's own sales organisation, through expanding the dealer network in selected European countries and by entering into agreements with new private-label customers. Moreover, in 2014, focus will also be on new non-European markets, primarily Eastern Europe and the Middle East.

Continuous product development is and will continue to be an important competition parameter for Dantherm in all business areas. In the coming years, new products will be launched according to the development plans for the individual business areas.

The ongoing streamlining of the administrative processes will continue in 2014, while focus will consistently be on optimising the production processes.

CASE: DANISH ARMED FORCES DEMAND ENERGY-EFFICIENT SOLUTIONS

In 2013, the HVAC business segment developed a heat exchanger for using in containers and tents following the growing demand for energy-efficient solutions in the armed forces.

The product is a compact heat exchanger unit which is designed to work with Dantherm's other climate solutions, and it can be used in both workforce containers and tents.

Dantherm has used its know-how from the home ventilation area to develop the product.

There are considerable direct energy savings to be made by using a heat exchanger, but also indirect savings, for example the cost of transporting diesel for the generators.

The energy savings stem from the warm air which comes from outside being tempered using the air from inside the container which has already been cooled down. The solution can reduce energy consumption for cooling by up to 50%, and the investment has a short payback time.

FACTS 2013

PRODUCTS

Dantherm's business is based around three product areas:

Dehumidification:
Mobile dehumidifiers primarily for drying buildings, and stationary dehumidifiers for rooms with private pools and wellness centres.

Ventilation:
Products for ventilation and heat recovery for homes as well as for swimming pools, shopping centres, cinemas etc.

Mobile heating and cooling:
Products for heating or cooling tents and containers.

CUSTOMERS

Dehumidification:
Professional rental and damage services, private-label customers and dealers.

Ventilation:
Contractors, fitters, public authorities, private-label customers, dealers and fitness chains.

Mobile heating and cooling:
Armed forces in NATO countries, international aid organisations, tent and container manufacturers and dealers.

TELECOM

FACTS 2013

MANAGEMENT

Kristian Askegaard
CEO, Telecom since 2010
Born 1958
MSc in Economics & Business Administration
Joined Dantherm in 2007

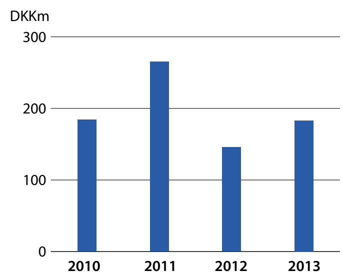
COMPANIES

Most of the products for this business segment are manufactured in China and the USA with local production in Denmark. The products are sold globally through Dantherm's companies in China, Denmark, the USA, Sweden, Norway and Germany, the sales offices in Russia and Mexico and through dealers.

EMPLOYEES

212

REVENUE



MARKET DEVELOPMENT

Market developments within Telecom are driven by the use of wireless communication as well as the scope and timing of investments in new telecom networks or the upgrading of existing networks.

The extent of wireless communication grew in 2013, and is expected to see steady growth in the coming years. The growth stems from more mobile subscribers and increased data traffic. At the end of 2013, there were an estimated 6.6 billion mobile phone subscribers worldwide. In addition to the growing number of subscribers, data traffic is also increasing, with smartphones and tablets contributing to a growing need for data capacity and thereby greater cooling requirements.

25%
is how much Dantherm's revenue increased within the Telecom segment in 2013

In addition to expanding the infrastructure so it can handle more mobile phone subscribers and increasing data traffic, there is a growing market for replacing cooling solutions in existing radio base stations because of the possibilities for reducing energy consumption.

In 2013, market developments were characterised by normalisation among network suppliers, while the network operators remained cautious with their investments. However, there are signs that the investment pace is on the way up in step with an improving global economy and continued growth in the use of wireless services.

DEVELOPMENTS IN 2013

Financial development

Revenue within Telecom totalled DKK 183m in 2013 against revenue of DKK 146m in 2012, which corresponds to a 25% increase.

Sales to network suppliers saw dramatic growth in 2011 but, as a result of the financial crisis, this was replaced by an even greater fall in 2012. In 2013, the market normalised, with a positive knock-on effect on sales to this business area.

Network operators are still reluctant to invest in new equipment, and sales in this area have therefore fallen slightly in 2013.

The intensified efforts to generate sales to the network operators have meant that Dantherm now has test installations and/or approved products at thirteen of the world's 21 biggest network operators. Test installations and subsequent approvals are a precondition for being able to realise growth in the coming years.

As a result of higher revenue, improved contribution ratios and lower capacity costs, earnings before interest, tax, depreciation and amortisation (EBITDA) improved from a loss of DKK 19m in 2012 to a profit of DKK 1m in 2013.

Business development

In 2013, Dantherm expanded its sales organisation and maintained its investments in product development, but overall has reduced its capacity costs in relation to 2012.

To increase its market presence, in 2013 a subsidiary was established in Germany and sales offices opened in Russia and Mexico.

The efforts to secure sales to Chinese network operators via the sales office in Beijing and collaboration with a Chinese partner continue. The first initial test order in China was won at the end of 2013. The sales efforts are supported by the development of cost-effective products which fully meet Chinese market requirements.

STRATEGY

Strategic activities continue within the three focus areas: market presence, product development and cost efficiency. Local presence is a key prerequisite for market penetration, and there are still plans to extend market cover by means of local set-ups.

Product development is continuing at a high level, and reflects the investments which have been made to support growth. A lot is therefore being done to establish Dantherm as a "one-stop-shop" for cooling products for both network suppliers and network operators. The development activities have resulted in a number of inventions which are the subject of patent applications.

Cost efficiency was a special focus area in 2013. The supply chain organisation has been strengthened, and lean measures have led to a reduction in the number of production employees in both China and the USA.

The strategic initiatives focus on increasing sales to the network operators while maintaining the company's leading market position for sales to the network suppliers. In addition to increased sales and earnings, these measures are helping to reduce volatility in Dantherm's Telecom business.

CASE: FREE COOLING VS EXTRACTION

A major mobile operator in South Africa wanted to improve earnings from their telecom site, and Dantherm suggested testing the customer's existing extraction solution against one of Dantherm's free cooling solutions to see the difference between the two.

When cooling a telecom site, the solution is often a combination of an air conditioning plant and ventilation using ambient air. The principle of using ambient air for cooling is often referred to as free cooling or extraction, but the two methods are not the same. Free cooling is able to generate significantly bigger energy savings than extraction.

Dantherm ran a one-year energy consumption test of the two different systems on the customer's site. The test showed that Dantherm's free cooling solution generated energy savings of 80% compared to the customer's extraction solution which had only produced savings of 25%.

This business case was profiled in a newsletter which was sent to potential customers, resulting in greater interest being shown in Dantherm's free cooling solutions.

FACTS 2013

PRODUCTS

Dantherm's products and solutions are used for the energy-efficient climate control of electronics and batteries in radio base stations and other telecom infrastructure as well as within industrial cooling.

The product programme comprises free cooling, heat exchangers, thermosiphon, air conditioners, peltier cooling as well as products which combine the various technologies to reduce energy consumption.

CUSTOMERS

Telecom customers comprise **network suppliers** and **network operators**.

Network operators build new telecom networks globally and are concentrated on just a few customers. The products are typically customised for the individual customer, and the market is characterised by high entry barriers and rapid technological advances.

Network operators run the telecom networks and tend to operate locally. They buy new radio base systems and replace existing equipment which they buy from the network suppliers, integrators or directly from companies such as Dantherm. The products sold to this customer group tend to be standard products.

SHAREHOLDER INFORMATION

THE DANTHERM SHARE

Dantherm's share price ended the year at DKK 14.2 against DKK 14.7 at the end of 2012. In 2013, the highest and lowest prices of the Dantherm share were DKK 17.9 and DKK 12.8 respectively. At the end of the financial year, the company's market value was DKK 102m against DKK 106m at the end of 2012. Turnover of the Dantherm share amounted to almost DKK 26m in 2013 compared to DKK 11m in 2012.

SHARE CAPITAL

At the end of 2013, Dantherm's share capital totalled DKK 71,905,740 distributed on 7,190,574 DKK 10 shares, with each carrying a single vote.

The Board of Directors has been authorised by the general meeting to increase the company's share capital in one or more rounds by up to a nominal value of DKK 28,094,260, bringing the share capital to DKK 100,000,000 through the subscription of new shares at a price specified by the Board of Directors. The authorisation is valid for the period up until 10 April 2018.

DIVIDEND POLICY

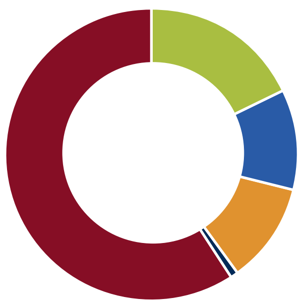
It is Dantherm's dividend policy that approx. 30% of the profit after tax is paid to the shareholders – however, always taking into account the group's financial and cash position as well as its investment and expansion plans. The company also aims to maintain an equity interest of at least 30%.

The Board of Directors proposes that no dividend be paid for 2013.

SHAREHOLDER COMPOSITION

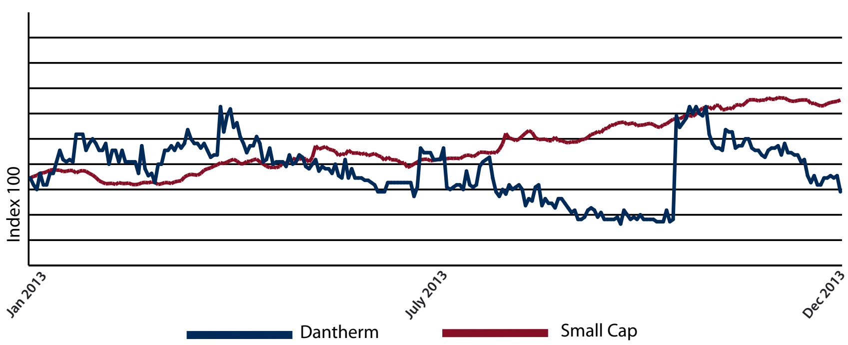
At the end of the financial year, Dantherm had approx. 3,300 registered shareholders, and almost 90% of the total share capital in Dantherm was registered at the end of 2013.

The following shareholders are included in the company's register under Section 55 of the Danish Companies Act (Selskabsloven). The stated ownership percentages are those registered by the company as at 31 December 2013.



- D. F. Holding, Skive A/S, Denmark - 18%
- Hans R. Olsen, UK - 11%
- Nils R. Olsen, Denmark - 11%
- Treasury shares - 1%
- Other shareholders - 59%

DANTHERM'S SHARE PRICE VS SMALL CAP



TREASURY SHARES

The Board of Directors has been authorised by the general meeting to let the company buy treasury shares up to a total nominal value of 10% of the share capital. The consideration paid must not deviate by more than 10% from the currently listed share price at the time of the purchase.

The authorisation is valid up until the ordinary general meeting in 2016. As at 31 December 2013, the group's holding of treasury shares totalled 80,526 shares, corresponding to 1.1% of the share capital. The holding of treasury shares is unchanged from 31 December 2012.

WEBSITE

Dantherm encourages investors and other interested parties to visit the company's website at www.dantherm.com. It is also possible to request electronic information about the company from the website. This service is also available to interested parties who are not shareholders.

This annual report is also available online at www.dantherm.com, where published company announcements and further information about the company are also available.

INTERNAL REGULATIONS ABOUT INSIDER KNOWLEDGE AND TRADING IN THE COMPANY'S SHARES

In accordance with the Danish Securities Trading Act (Værdipapirhandelsloven), Dantherm maintains an insider register listing people who are considered to be privy to insider knowledge of the company by virtue of their position.

The company has prepared a set of internal regulations for these people and their related parties. The people covered by the internal regulations are members of the Board of Directors and the Board of

Executives, and employees of Dantherm A/S. The rules also apply to other people outside Dantherm who work for or act on behalf of the company and to employees in Dantherm's subsidiaries whose positions are expected to provide access to insider knowledge. The people specified above are only permitted to buy and sell shares in Dantherm for a period of four weeks after publication of the company's annual or interim financial reports.

At its meetings, the Board of Directors considers whether there are any matters that would prohibit members and other insiders from buying or selling Dantherm shares in the prescribed period.

26 March

The annual general meeting will be held on Wednesday 26 March 2014 at 3 pm in the company's offices at Marienlystvej 65, Skive, Denmark.

INVESTOR RELATIONS POLICY

Dantherm aims to pursue an open information policy in relation to external stakeholders.

By providing information about the company's activities, strategies, outlook and risk position, Dantherm seeks to provide the stock market with an objective foundation for pricing the company's shares.

To keep the company's shareholders and stakeholders in the financial market informed, the management will as a minimum strive to publish quarterly reports via NASDAQ OMX Copenhagen. In order to comply with these formal and informal commitments vis-à-vis the stock market – including NASDAQ OMX Copenhagen – the management will also immediately publish information about important circumstances which may be assumed to be material to the pricing of shares in Dantherm.

The management is positive about participating in meetings with investors, stockbrokers, share analysts, financial journalists etc. in order to keep them updated on the company's strategy and activities. However, in order to comply with its information obligations, Dantherm does not wish to participate in investor meetings for a period of three weeks prior to the publication of financial statements.

All registered shareholders in Dantherm will automatically receive invitations to general meetings.

The website www.dantherm.com is updated regularly and extended with relevant information to help present an up-to-date picture of the group.

INVESTOR RELATIONS CONTACT

Torben Duer
President & CEO
Tel.: +45 99 14 90 00

FINANCIAL CALENDAR FOR 2014

28.02.2014
Announcement of financial statements 2013

26.03.2014
General meeting

30.04.2014
Interim report Q1 2014

20.08.2014
Interim report H1 2014

29.10.2014
Interim report Q3 2014

INSIDER SHAREHOLDINGS

Dantherm shares held by insiders and their related parties as at 31 December 2013 are shown in the table to the right.

D. F. Holding, Skive A/S is subject to the same restrictions on trading with the company's shares as the company and its Board of Directors.

Insider group	No. of shares	% of A/S capital	Market value |(DKK '000)
Board of Directors and Board of Executives	939,007	13	13,334
Other insiders	2,728,889	38	38,750
Total insiders	3,667,896	51	52,084
Treasury shares	80,526	1	1,144
Total	3,748,422	52	53,228

CORPORATE GOVERNANCE

The Board of Directors and the Board of Executives of Dantherm A/S strive to ensure good corporate governance. Endeavours are made at all times to ensure that the group's management structure and control systems are expedient and satisfactory. At the company website: http://www.dantherm.com/media/1726212/corporate-governance-2014_eng.pdf, a report can be found which, in accordance with the updated recommendations on corporate governance from the Committee on Corporate Governance of 6 May 2013, describes the company's compliance with the individual recommendations as well as setting out the management's comments on the individual recommendations. Additionally, the full statutory description of the main elements can be found in the company's internal control and risk management systems in connection with the financial reporting process and the description of the composition of the governing bodies of the company and their functions.

In the opinion of the Board of Directors, the recommendations on corporate governance are complied with by Dantherm, with the exception of the recommendations in item 3.4 on appointing separate audit and nomination committees. Based on the current size of the group and the Board of Directors, it is assessed by the Board of Directors that it is not expedient to appoint board committees, but that the whole Board of Directors is the natural place for discussions.

COMPOSITION AND DUTIES OF THE BOARD OF DIRECTORS

The Board of Directors has seven members of whom four are elected for a period of one year at a time at the general meeting, while three members are elected by the group's employees in Denmark in accordance with Danish company legislation.

The employee representatives have the same rights and obligations as the members elected by the annual general meeting and are elected for a period of four years. The most recent election among the employees was held in 2011. Three of the members of the Board of Directors elected at the annual general meeting are independent persons.

As a fixed item on the agenda of at least one annual board meeting, the Board of Directors carries out an evaluation of the composition of the Board of Directors and the way it works and carries out its duties, among other things. This includes evaluating the cooperation between the Board of Directors and the Board of Executives. The latest evaluation was carried out in January 2013 with the assistance of a recognised consultancy firm. The evaluation was based on questionnaires and oral discussions and the results were considered by the Board of Directors. As part of the Board of Directors' evaluation, an assessment is made of the composition of the Board of Directors, including also the issue of diversity and the need for special competencies. The Board of Directors is composed of experienced businessmen whose professional background and practical experience match the challenges facing the group. Further information about the composition and competencies of the Board of Directors can be found in the annual report's section on the Board of Directors.

The Board of Directors convenes at least eight times a year according to a fixed meeting schedule. One of these meetings is dedicated to determining the objectives and strategies of the group. Extraordinary meetings are called as required. Eleven board meetings were held in 2013. The Board of Directors' rules of procedure form the basis of its work. The rules of procedure are updated at least once a year.

Gender composition of the management

Dantherm's Board of Directors has adopted the following objective for the proportion of the under-represented gender in the senior executive body (members of the Board of Directors elected by the general meeting):

At the present time, Dantherm A/S has four boardmembers elected by the general meeting who are all men. It is the objective of Dantherm that, by the general meeting in 2016 at the latest, a minimum of one female member is nominated for election by the general meeting.

At other management levels in Dantherm in Denmark, female managers represent 40% and are thus not under-represented.

In 2013, Dantherm has drawn up a policy which will help to ensure equal opportunities in connection with recruitment.

GENDER QUOTA POLICY

Dantherm wants management positions in the group to be filled with persons who possess the right and the best competencies, and when recruiting candidates for management positions endeavours to offer equal opportunities for both genders.

REMUNERATION POLICY

The Board of Directors discusses and regularly assesses the principles for remuneration of the Board of Directors and the Board of Executives to ensure that they comply with the common practice for comparable companies and reflect the efforts required. To ensure matching interests between the Board of Executives, executive employees and the shareholders, an agreement has been made for bonus pay, which may constitute up to 40% of the basic pay. The payment of bonus is conditional upon the fulfilment of a number of agreed targets. No extraordinary severance programmes have been agreed with the Board of Directors, the Board of Executives or executive employees. The Board of Directors receives a fixed remuneration. Remuneration may also be paid for tasks carried out by members of the Board of Directors for and at the request of the Board of Directors. This was not the case in 2012, whereas this was the case once in 2013.

The remuneration paid to the management is described in further detail in note 4 to the consolidated financial statements.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN CONNECTION WITH FINAL REPORTING

The Board of Directors and the Board of Executives hold the overall responsibility for the Dantherm group's risk management and internal controls in connection with the financial reporting process. The Board of Directors and the Board of Executives also hold overall responsibility for ensuring compliance with relevant legislation and other rules and regulations relating to financial reporting. The Board of Directors and the Board of Executives make a priority of continually ensuring good risk management and internal controls in connection with the financial reporting process.

The group's risk management and internal controls are designed to effectively manage and eliminate the risk of errors and omissions in connection with the financial reporting. The group's risk management and internal control systems in relation to the financial reporting provide reasonable, but not absolute, assurance that misappropriation of assets, losses and/or significant errors and omissions in the financial reporting are avoided. At least once a year The Board of Directors and the Board of Executives assess significant risks and internal controls in relation to the group's operations and their potential impact on the financial reporting process. For a complete description, please refer to http://www.dantherm.com/media/1728552/interne-kontrol-og-risikostyringssystemer-2013_eng.pdf

CORPORATE SOCIAL RESPONSIBILITY

In 2013, Dantherm took a structured and targeted approach to working with CSR in light of the increasing focus on this area.

Dantherm has decided to refer to its work on corporate social responsibility as Corporate Responsibility (CR) – as a way of sharpening its focus on the corporate strategy elements.

CONTROL YOUR CLIMATE

In 2011, the phrase CONTROL YOUR CLIMATE became an important part of Dantherm's communication. CONTROL YOUR CLIMATE reflects Dantherm's core competencies within climate control while also putting the climate on the agenda, both internally and externally. It is not just about product properties, but about the working climate in Dantherm and the external environment.

CR POLICY

Dantherm is a responsible company which wants to contribute to sustainable development.

Dantherm develops energy-optimising products and solutions for the benefit of our customers and the environment, and we see a strong connection between responsible behaviour and increasing the group's sales and earnings.

Dantherm has not joined the UN Global Compact, but the starting point for its work with corporate responsibility is the ten principles on human rights, labour rights, the environment and anti-corruption.

CR IN 2013

In 2013, Dantherm's CR activities centred on drawing up a Code of Conduct, product development, the environment and climate as well as HR and social issues.

Code of Conduct

The work to implement a Code of Conduct in the organisation started in 2013, and will continue in 2014. The Code of Conduct is based on Dantherm's existing policies and on the UN Global Compact, which covers human rights, labour rights, the environment and anti-corruption.

Dantherm's Code of Conduct also includes sections on accountability, confidential information and accounting practices. Dantherm does not have any specific policies relating to human rights, but the subject is covered by the Code of Conduct.

Product development

Dantherm's product development is based on thermodynamic know-how, which forms the basis for developing innovative and energy-efficient products which live up to the ever increasing demands and expectations of customers and society at large.

In 2013, Dantherm has, among other things, developed new and energy-efficient products for telecom network operators as well as within home ventilation and swimming pool ventilation.

Environment and climate

Minimising its environmental impact is an important part of Dantherm's business conduct.

Dantherm in Denmark and China are certified according to the environmental management standard ISO 14001. The other companies follow Dantherm's environmental policy.

ENVIRONMENTAL POLICY

Dantherm wants to act responsibly in relation to both the internal and external environments.

As far as the internal environment is concerned, the policy is to organise the working processes expediently and to minimise/eliminate the use of hazardous substances.

In relation to the external environment, the policy is to comply with all relevant environmental legislation and continually work with resource and energy optimisation.

A holistic approach is taken to implementing environmental improvements, with due consideration being given to both technical and economic viability.

In 2013 in Denmark, recycling and correct waste sorting were special focus areas, both in production and administration. Dantherm also requires its suppliers to sort waste correctly, and has produced an information leaflet on the subject.

Moreover, the company has commissioned energy mapping and consultancy from three different energy consultants. The consultants have submitted a number of proposals for optimisation, which have been included in the company's list of potential energy optimisation measures.

HR and social issues

In Denmark, it is Dantherm's objective that at least 10% of its employees are employed on non-standard terms, for example employees suffering from chronic diseases or flexitime workers. This objective is part of the company's retention policy, and means that the employees in question can remain in the labour market even though they are unable to work full-time.

Among other things, the work to retain people in the labour market involves the help of mentors. At the Danish company, fourteen mentors have been trained who, by providing advice and guidance, share their knowledge and competencies to support, for example, young people's development and adaptation to the labour market.

In 2013, some of Dantherm's mentors have also passed on their experience on ways of achieving the 10% objective in connection with external company visits or visits to the factory in Denmark.

Appointment of working group

To create a basis for gathering and standardising non-financial data, a CR working group has been appointed, comprising members from the three production units in Denmark, China and the USA. This working group will in future work strategically with CR and, in the long term, ensure that CR is disseminated and integrated in the global organisation.

OBJECTIVE

In 2014, Dantherm will continue its product development work and focus on implementing the internal Code of Conduct. The objective for 2014 is that 60% of employees learn about and understand the Code of Conduct. An implementation strategy, which has already been drawn up, will assist the management group in their work with integration.

In 2014, the CR working group will plan the CR initiatives, gather data and prepare an action plan that will support the CR work and Dantherm's growth strategy.

ANTI-CORRUPTION POLICY

As part of Dantherm's UN Global Compact work, the company acts according to the principle that "Businesses should work against corruption in all its forms, including extortion and bribery".

In relation to customers and suppliers, Dantherm does not wish to participate in activities which are illegal or which restrict competition, nor does it accept corruption and bribery for the sake of commercial advantages.

CASE: CR ON THE AGENDA

One of the themes at the executive management conference in November 2013 was a workshop on strategic CR in Dantherm.

At the workshop, the managers had to consider their stakeholders' expectations regarding Dantherm's CR work. The following questions were addressed at the workshop:

- What do our stakeholders expect of our CR efforts?
- What is strategic CR in Dantherm?
- What are we already doing today – without calling it CR?

The workshop resulted in concrete and tangible input which will form the basis for a strategic prioritisation of Dantherm's CR activities, and which will also be incorporated into an action plan setting out specific goals for the newly established CR working group. The aim is for CR to become a tool which Dantherm can use strategically to support its growth strategy.

RISK MANAGEMENT

Dantherm's activities involve a number of business-related and financial risks which may impact the group's activities and results.

It is the management's objective – via established policies and procedures – to counter and limit the risks which can be influenced through the company's own actions.

The aim of risk management is not to eliminate all risks, but to actively decide which risks can be accepted and controlled and which should be avoided entirely.

The Board of Directors discusses the group's risks once a year as a minimum, and assesses whether the risks have changed and whether the established measures need adapting.

BUSINESS-RELATED RISKS

Market conditions

With 92% of its revenue being generated outside Denmark, Dantherm is reliant on developments in the global economy.

Within the HVAC segment, most products are sold in Europe, and sales in several business areas are influenced by investments within the building sector.

Within Telecom, products are sold globally. Sales are influenced by investments in the expansion and upgrading of telecom networks. The investments involved are usually substantial, and sales are therefore volatile and depend on the timing of projects. Dantherm focuses on reducing this dependency and sales volatility by diversifying its activities to include more business areas and customer groups and through increased sales on existing and new markets.

Customer relations

Sales to network suppliers within Telecom are limited to a relatively small number of customers. Within the HVAC segment, sales within the home ventilation business area are also limited to a relatively small number of customers, which may result in considerable fluctuations in sales.

Dantherm focuses on reducing its dependency on individual customers by diversifying its activities to include more business areas and customer groups; an

example of this is our focus on telecom network operators.

Supplier relations
Dantherm aims to create long-term supplier relations and depends on deliveries from certain suppliers.

In its choice of suppliers of products and components of critical importance to business, it is general group policy to work, whenever possible, with at least two suppliers to ensure independence, competitiveness and, not least, reliability of supply.

Technological development
Dantherm operates in sectors characterised by ongoing technological product development where the focus is on the products' energy-efficiency, making this area an important competition parameter for the group.

Efforts are therefore being made within all business areas to develop the right solutions for customers to ensure that new products are available to replace those which are at the end of their product life cycle, and so that Dantherm remains competitive.

Product warranties
Dantherm's terms and conditions of trade with customers include product warranties. This entails a risk of costs for re-deliveries or repairs of sold products. Dantherm seeks to minimise these risks through quality control in production, through the contractual terms agreed with customers and suppliers and through insurance cover.

Insurance
Dantherm is covered by an extensive insurance programme which is continuously being revised in cooperation with an independent insurance broker.

The insurance programme is based on Dantherm's insurance policy, which is reviewed annually by the Board of Directors, and which aims to insure against all risks, in so far as possible.

FINANCIAL RISKS
The overall framework for managing the financial risks has been defined by the Board of Directors. It is group policy to identify and hedge all significant financial risks in an expedient way and not to engage in active speculation in financial risks.

Reference is made to the description on the website of the group's internal control and risk management systems in connection with the financial reporting process.

Capital structure and financial resources
One element in the group's financial planning is to always ensure the presence of adequate financial resources, while at the same time minimising capital costs.

Therefore, the group seeks to organise its financing so as to have adequate credit facilities at its disposal to implement the growth strategy.

In 2013, Dantherm's Board of Directors initiated an analysis of the possibilities for strengthening the capital structure and thereby strengthening business development in the group.

In February 2014, Dantherm renegotiated its agreement with the primary credit institutions which have granted an extension of the agreement until 31 March 2015. The agreement comprises the usual covenants. The agreed credit limits are on a par with the budgeted liquidity requirement, and the management has a number of options for making adjustments to ensure additional liquidity if needed.

Currency risks
It is group policy to hedge all significant currency risks arising from contracts in foreign currencies where the cash flow can be predicted with sufficient accuracy.

Hedging is done according to an individual assessment of the contract and volatility in the currency. Currency risks in relation to the valuation of foreign net investments are generally not hedged.

Interest rate risks
Part of the group's financing consists of floating-rate loans. This involves a risk of interest payments changing, both in the short and in the long term, and affecting the group's result.

The company regularly assesses the expediency of entering into agreements to wholly or partly hedge such interest rate risks. An agreement has therefore been made which hedges the interest rate risk on the lease on the building in Skive, Denmark. At the end of 2013, the fixed-rate portion of the total debt amounted to 46% against 51% at the end of 2012.

Credit risks
Dantherm continually assesses the financial situation of the company's customers and business partners, and considerable debtor insurance is taken out in the individual companies based on individual assessments. Overall, approx. 37% of the debtor balance as at 31 December 2013 was insured against 55% at the end of 2012, which is due to the fact that a single large customer is no longer insured.

FINANCIAL REVIEW

CONSOLIDATED INCOME STATEMENT

Revenue

In 2013, Dantherm posted revenue of DKK 481.5m, which is on a par with 2012 and in line with the latest announced outlook of revenue of approx. DKK 500m. Revenue within HVAC fell 11% relative to 2012, while revenue within Telecom increased 25%.

Other external expenses and staff costs

Other external expenses and staff costs have fallen as a whole by 9% from 2012 to 2013. The fall can primarily be attributed to the results of an optimisation project to streamline the administrative processes in Denmark which was launched in 2012 and targeted lean activities at the factories in Denmark, China and the USA.

Depreciation and amortisation

Depreciation and amortisation for the year fell from DKK 18.7m in 2012 to DKK 18.1m in 2013. Dantherm possesses modern production facilities, and the decline in depreciation and amortisation is primarily attributable to a low level of investment in property, plant and equipment, while the amortisation of development projects has increased as a result of high levels of activity in relation to new product development.

Operating profit/loss (EBIT)

The group posted an operating profit (EBIT) of DKK 5.2m in 2013 against a loss of DKK 6.2m in 2012. Corrected for costs related to the analysis launched by the Board of Directors as mentioned in company announcement no. 13 of 16 October 2013, the operating profit (EBIT) totals DKK 6.0m and is thereby on par with the latest announced outlook of an operating profit (EBIT) of DKK 5-10m.

Share of profit/loss after tax in associates

In 2013, the share of the profit/loss after tax in associates has, as a result of impairment, had a negative impact on the profit before tax of DKK 18.5m. The development in Dantherm Power A/S in 2013 did not live up to expectations, and in Q4, the shareholders converted loans to the company into equity. The equity in the company remains negative, and in accordance with the accounting policies, Dantherm has written down the investments in and loans to the company to DKK 0.

Net financials

In 2013, net financials represented a total net expense of DKK 15.5m against DKK 11.7m in 2012. The increase in net expenses can primarily be ascribed to higher net interest payments and higher fees.

Tax on profit/loss for the year

In 2013, tax on the profit/loss for the year amounted to income of DKK 0.8m against DKK 1.4m in 2012. The income comprises tax refunds on development projects in Denmark and recognition of deferred tax assets. At the end of 2013, the Dantherm group had unrecognised tax losses of DKK 192m (2012: DKK 179m).

Net profit/loss for the year

Overall, the company posted a net loss for the year of DKK 28.0m, which is unsatisfactory. The net profit/loss for year without the share of the profit after tax in associates totalled a loss of DKK 9.5m against a loss of DKK 16.5m in 2012.

CONSOLIDATED BALANCE SHEET

Goodwill

Goodwill of DKK 69.5m was recognised in the balance sheet. The figure is unchanged relative to the end of 2012. Goodwill concerns the Telecom segment, and at the end of 2013 an impairment test was carried out which did not result in any impairment.

Other intangible assets

Other intangible assets amount to DKK 27.6m (2012: DKK 22.3m) and primarily concern development projects relating to the development of new products. Product development is a strategic focus area, and in 2013 Dantherm maintained its development activities within both HVAC and Telecom. Development projects recognised in the balance sheet have therefore increased in 2013. The increase primarily relates to new products for the Telecom network operators and new products within home ventilation in the HVAC business segment.

Property, plant and equipment

The value of property, plant and equipment totalled DKK 113.9m against DKK 122.8m at the end of 2012, and the fall can be attributed to a low level of investment.

Working capital

At the end of the year, working capital amounted to DKK 70.3m, against DKK 61.8m at the end of 2012. Relative to revenue, the working capital amounted to 14.6% at the end of 2013 against 12.8% at the end of 2012. The increase in working capital is primarily due to the building of inventories for the Telecom network suppliers, which were at a low level at the end of 2012, and higher levels of activity in Q4 2013 relative to the same period in 2012. Dantherm takes a targeted approach to reducing working capital, and will continue to do so in 2014.

Net interest-bearing debt and cash reserves

The net interest-bearing debt amounted to DKK 203.2m at the end of 2013 against DKK 188.3m at the end of 2012. The increase in net interest-bearing debt is primarily attributable to investments in development activities.

In April 2012, Dantherm signed an agreement with the primary credit institutions on committed facilities to expire on 1 May 2014. In 2014, the agreement has been renegotiated, and the credit institutions have undertaken to extend the agreement until 31 March 2015.

Dantherm's unutilised cash reserves amounted to DKK 13m at the end of 2013 against DKK 36m at the end of 2012.

As reported in company announcement no. 13 of 16 October 2013, a strategic analysis has been launched to evaluate the possibilities for strengthening the capital base, including the cash reserves.

Equity and equity ratio

Equity amounted to DKK 86.6m at the end of 2013 against DKK 111.9m at the end of 2012. In 2012, equity was positively affected by DKK 2.8m as a result of foreign currency translation adjustments and adjustment of an interest rate swap in respect of the building financing in Skive. The equity ratio amounted to 21% at the end of 2013 against 27% at the end of 2012.

CONSOLIDATED CASH FLOW STATEMENT

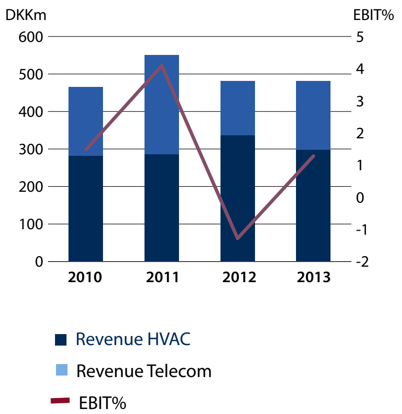
Cash flows from operating activities amounted to DKK -0.3m against DKK 19.8m in 2012. The fall is the result of reducing working capital from 2011 to 2012, which improved the cash flow from operating activities by DKK 28.4m in 2012. In 2013, the development in working capital had a negative impact of DKK 3.5m.

Cash flows from investing activities amounted to DKK -15.2m against DKK -20.4m in 2012. The drop is primarily due to a loan of DKK 5.1m to Dantherm Power in 2012.

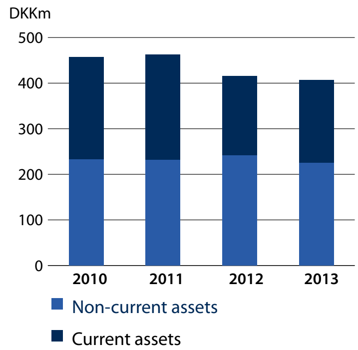
Cash flows from financing activities amounted to DKK -6.8m in 2013 against DKK -10.8m in 2012. In 2013, cash flows from financing activities primarily relate to a reduction in lease commitments on the building in Skive, and the fall from 2012 is attributable to a reduction in lease commitments on machines, which are lower in 2013.

Cash flows for 2013 amounted to DKK -22.4m against DKK -11.5m in 2012.

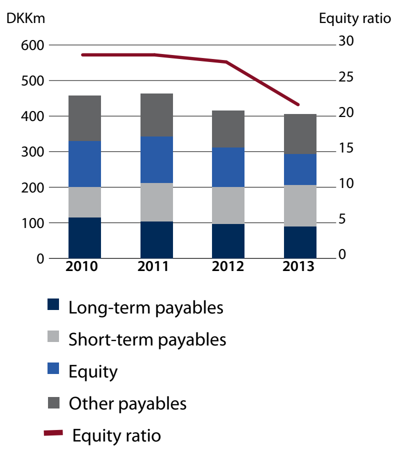
REVENUE & EBIT%



ASSETS



EQUITY, LIABILITIES AND EQUITY RATIO



BOARD OF DIRECTORS

JØRGEN MØLLER-RASMUSSEN

Chairman
Born 1947
Elected for the first time in 1999
Elected until the general meeting 2014

Position:
CEO of IPL Holding A/S

Competencies:
Graduate Engineer, Graduate Diploma in Business Administration
Former President & CEO of various large companies, most recently Dalhoff Larsen & Horneman, a listed company with extensive international activities.
Considerable experience within the construction sector.

Holding of Dantherm shares:
2013: 5,000
2012: 5,000

PREBEN TOLSTRUP

Deputy Chairman
Born 1959
Elected for the first time in 2008
Elected until the general meeting 2014

Chairman of the Board of Directors of:
Adept Water Technologies A/S
Stema Holding A/S
Pedax GmbH
Pedax Holding GmbH

Member of the Board of Directors of:
Haelok AG
Pedax A/S

Competencies:
BSc in Engineering, Executive MBA Former CEO of the LOGSTOR Group, FLS Industries A/S and ABB Power Generation.

Holding of Dantherm shares:
2013: 50,070
2012: 25,070

NIELS KRISTIAN AGNER

Board member
Born 1943
Member of the Board of Directors since 2002
Elected until the annual general meeting 2014

Chairman of the Board of Directors of:
D. F. Holding, Skive A/S
SP Group A/S
SP Moulding A/S

Member of the Board of Directors of:
Aktieselskabet Schouw & Co.
Direktør Hans Hornsyld og hustru Eva Hornsylds Legat
Direktør Svend Hornsylds Legat
G.E.C. Gads Forlag A/S
G.E.C. Gads Fond (nominee)

Competencies:
BCom., BSc (Business Economics)

Former member of the Executive Board of Gyldendal. Most recently CEO of Dansk Kapitalanlæg Aktieselskab.
Now mainly engaged in board work.

Holding of Dantherm shares:
2013: 49,000
2012: 49,000

NILS ROSENKRANDS OLSEN

Board member
Born 1950
Elected for the first time in 2002
Elected until the general meeting 2014

Position:
CEO of Blackwing Business Angels A/S

Chairman of the Board of Directors of:
ASA - Airline Software Applications ApS

Member of the Board of Directors of:
Blackwing Business Angels A/S
Dantherm Foundation
D. F. Holding, Skive A/S

Competencies:
MSc in Economics & Business Administration
Former CEO of Cimber Air Data A/S.
Mainly engaged in entrepreneurial activities and board work.

Holding of Dantherm shares:
2013: 777,324
2012: 777,324

CONNI-DORTHE LAURSEN

Board member (employee representative)
Born 1956
Elected for the first time in 2007
Elected until the general meeting 2015

Position:
Production employee

Holding of Dantherm shares:
2013: 105
2012: 105

SØREN ØSTERGAARD HANSEN

Board member (employee representative)
Born 1971
Elected for the first time in 2011
Elected until the general meeting 2015

Position:
General Manager - Telecom EMEA

Member of the Board of Representatives of:
Salling Bank

Holding of Dantherm shares:
2013: 2,500
2012: 2,500

PER FRIIS PEDERSEN

Board member (employee representative)
Born 1956
Elected for the first time in 2003
Elected until the general meeting 2015

Position:
Process manager

BOARD OF EXECUTIVES

TORBEN DUER

CEO
Born 1963
Master of Business Economics,
Aarhus University, 1987

Appointed November 2009

Positions:

1987-1992	Executive secretary, CFO in DISA companies
1993-2000	CEO in DISA companies in Germany and the UK
1997-2000	CFO in Georg Fisher Disa group in Switzerland
2001-2009	CEO of the Dantherm Filtration group

Chairman of the Board of Directors of:
The Danish-Swiss Chamber of Commerce

Member of the Board of Directors of:
Dantherm Power A/S
KREMPEL GmbH

Member of the Board of Representatives:
Patria Genossenschaft

Holding of Dantherm shares:
2013: 50,000
2012: 50,000

BJARKE BRØNS

CFO
Born 1975
MSc (Econ.), Aarhus School of Business, 1999, State-Authorised Public Accountant, 2004

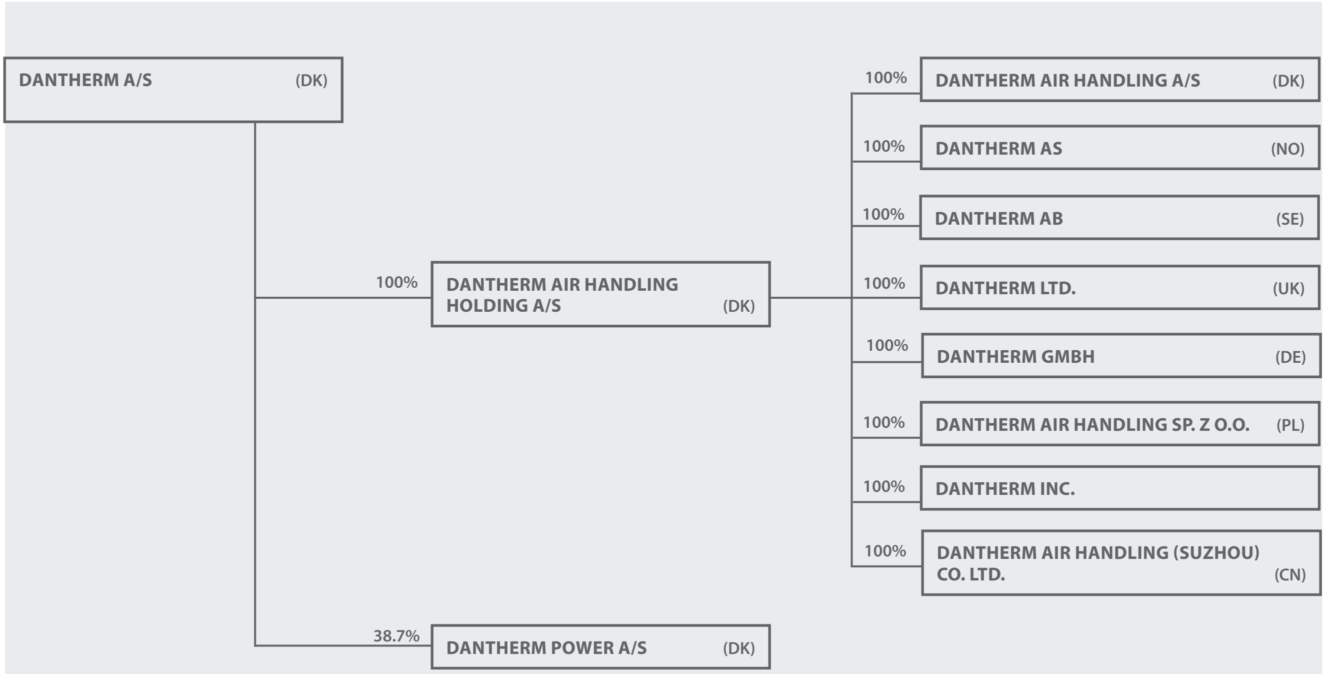
Appointed in April 2011
Member of the Board of Executives in March 2013

Positions:

1999-2006	Accountant, audit manager, Andersen and Deloitte
2006-2011	Executive secretary, CFO in Dantherm companies

Holding of Dantherm shares:
2013: 2,900
2012: 2,900

GROUP CHART


DANTHERM A/S (DK)
100%
DANTHERM AIR HANDLING HOLDING A/S (DK)
38.7%
DANTHERM POWER A/S (DK)
100%
DANTHERM AIR HANDLING A/S (DK)
100%
DANTHERM AS (NO)
100%
DANTHERM AB (SE)
100%
DANTHERM LTD. (UK)
100%
DANTHERM GMBH (DE)
100%
DANTHERM AIR HANDLING SP. Z O.O. (PL)
100%
DANTHERM INC.
100%
DANTHERM AIR HANDLING (SUZHOU) CO. LTD. (CN)

STATEMENT BY THE BOARD OF DIRECTORS AND THE BOARD OF EXECUTIVES ON THE ANNUAL REPORT

Today, the Board of Directors and Board of Executives have considered and approved the 2013 annual report of Dantherm A/S.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the financial statements give a true and fair view of the group's and the company's assets and liabilities and financial position as at 31 December 2013 and of the results of the group's and the company's operations and cash flows for the financial year 1 January - 31 December 2013.

We also find that the management's review contains a true and fair review of the development in the group's and the company's activities and financial affairs, results, cash flows and financial position for the year as well as a description of the main risks and uncertainties facing the group and the company.

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

Skive, 28 February 2014

Board of Executives

Torben Duer
CEO

Bjarke Brøns
CFO

Board of Directors

Jørgen Møller-Rasmussen
Chairman

Preben Tolstrup
Deputy Chairman

Niels Kristian Agner

Søren Ø. Hansen

Conni-Dorthe Laursen

Nils R. Olsen

Per F. Pedersen

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DANTHERM A/S

Report on the consolidated financial statements and financial statements

We have audited the consolidated financial statements and the financial statements for Dantherm A/S for the financial year 1 January – 31 December 2013. The consolidated financial statements and financial statements comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes including accounting policies for the group as well as for the company. The consolidated financial statements and the financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

The management's responsibility for the consolidated financial statements and financial statements

The management is responsible for the preparation and fair presentation of these consolidated financial statements and financial statements in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies. The management is also responsible for the internal control deemed necessary to prepare consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and financial statements based on our audit. We conducted our audit in accordance with international auditing standards and additional requirements laid down in the Danish Act on Approved Auditors and Audit Firms (*Revisorloven*). This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements and financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and financial statements. The audit procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the consolidated financial statements and financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements and financial statements. The purpose is to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the company's assets, liabilities and financial position as at 31 December 2013 and of the results of the group's and the company's operations and cash flows for the financial year 1 January – 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements listed companies.

Statement on the management's review

As required by the Danish Financial Statements Act, we have read the management's review. We have not performed any procedures other than the audit conducted of the consolidated financial statements and financial statements. Against this background, we believe that the information in the management's review is in accordance with the consolidated financial statements and the financial statements.

Aarhus, 28 February 2014

KPMG

Statsautoriseret Revisionspartnerselskab

Finn L. Meyer
Finn L. Meyer
state-authorised
public accountant

Jes Lauritzen
Jes Lauritzen
state-authorised
public accountant

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

DKK '000	Note	2013	2012
Revenue	2	**481,525**	**482,057**
Other operating expenses and income	3	-818	1,310
Costs of raw materials and consumables	4	-252,137	-245,985
Other external expenses	4	-50,294	-65,085
Staff costs	4, 5	-154,968	-159,781
Profit before depreciation, amortisation, impairment losses and write-downs (EBITDA)		**23,308**	**12,516**
Depreciation and amortisation of property, plant and equipment and intangible assets	10, 11	-18,108	-18,688
Operating profit/loss (EBIT)		**5,200**	**-6,172**
Share of profit/loss after tax in associates		-18,527	0
Financial income	6	2,344	4,257
Financial expenses	7	-17,884	-16,004
Loss before tax		**-28,867**	**-17,919**
Tax on loss for the year	8	827	1,396
NET LOSS FOR THE YEAR		**-28,040**	**-16,523**
Distributed as follows:			
Shareholders of Dantherm A/S		-28,040	-16,523
		-28,040	**-16,523**
Earnings per share			
Earnings per share (EPS)	9	-3.9	-2.3
Diluted earnings per share (EPS-D)	9	-3.9	-2.3

STATEMENT OF COMPREHENSIVE INCOME

DKK '000	2013	2012
Net loss for the year	**-28,040**	**-16,523**
Other comprehensive income		
Items which may be reclassified to the income statement:		
Foreign currency translation adjustments arising from the translation of foreign enterprises	-2,086	929
Value adjustment of hedging instruments for the year	4,875	-2,056
Other comprehensive income after tax	**2,789**	**-1,127**
Total comprehensive income	**-25,251**	**-17,650**
Distributed as follows:		
Shareholders of Dantherm A/S	-25,251	-17,650
Total comprehensive income	**-25,251**	**-17,650**

ASSETS

DKK '000	Note	31.12.2013	31.12.2012
Non-current assets			
Intangible assets			
Goodwill		69,527	69,527
Completed development projects		16,342	7,018
Patents and licenses		2,265	1,491
Development projects in progress		8,998	13,745
Total intangible assets	**10**	**97,132**	**91,781**
Property, plant and equipment			
Land and buildings		92,282	97,664
Leasehold improvements		351	310
Plant and machinery		18,753	22,131
Other plant, fixtures and fittings, tools and equipment		2,194	2,697
Assets under construction		367	0
Total property, plant and equipment	**11**	**113,947**	**122,802**
Other non-current assets			
Investments in associates	12	0	50
Deferred tax	16	11,197	10,299
Receivables from associates		0	16,656
Other non-current assets, total		**11,197**	**27,005**
Total non-current assets		**222,276**	**241,588**
Current assets			
Inventories	13	97,989	87,343
Receivables	14	77,329	69,602
Receivables from associates	14	775	561
Income tax receivable	20	1,405	1,437
Prepayments		1,600	2,353
Cash	24	3,172	12,254
Total current assets		**182,270**	**173,550**
TOTAL ASSETS		**404,546**	**415,138**

EQUITY AND LIABILITIES

DKK '000	Note	31.12.2013	31.12.2012
Equity			
Share capital	15	71,906	71,906
Reserve for hedging transactions		-11,796	-16,671
Reserve for foreign currency translation adjustment		2,486	4,572
Retained comprehensive income		24,053	52,093
Total equity		**86,649**	**111,900**
Liabilities			
Non-current liabilities			
Provisions	17	504	616
Credit institutions	18	89,204	96,340
Total non-current liabilities		**89,708**	**96,956**
Current liabilities			
Provisions	17	2,282	2,501
Credit institutions	18	117,125	104,240
Trade payables and other payables	19	107,968	97,060
Income tax payable	20	813	1,079
Deferred income		1	1,402
Total current liabilities		**228,189**	**206,282**
Total liabilities		**317,897**	**303,238**
TOTAL EQUITY AND LIABILITIES		**404,546**	**415,138**
Contingent liabilities	21		
Security furnished	22		
Contractual obligations	23		
Notes without reference	25, 26, 27, 28		

STATEMENT OF CHANGES IN EQUITY

DKK '000	Share capital	Reserve for hedging transactions	Reserve for foreign currency translation adjustment	Retained compre-hensive income	Total	Equity Total
	Shareholders of Dantherm A/S					
Equity as at 1 January 2012	**71,906**	**-14,615**	**3,643**	**68,616**	**129,550**	**129,550**
Comprehensive income 2012						
Net loss for the year	0	0	0	-16,523	-16,523	-16,523
Other comprehensive income						
Foreign currency translation adjustment, foreign enterprises	0	0	929	0	929	929
Value adjustment of hedging instruments	0	-2,056	0	0	-2,056	-2,056
Total other comprehensive income	0	-2,056	929	0	-1,127	-1,127
Total comprehensive income 2012	**0**	**-2,056**	**929**	**-16,523**	**-17,650**	**-17,650**
Equity as at 31 December 2012	**71,906**	**-16,671**	**4,572**	**52,093**	**111,900**	**111,900**
Equity as at 1 January 2013	**71,906**	**-16,671**	**4,572**	**52,093**	**111,900**	**111,900**
Comprehensive income 2013						
Net loss for the year	0	0	0	-28,040	-28,040	-28,040
Other comprehensive income						
Foreign currency translation adjustment, foreign enterprises	0	0	-2,086	0	-2,086	-2,086
Value adjustment of hedging instruments	0	4,875	0	0	4,875	4,875
Total other comprehensive income	0	4,875	-2,086	0	2,789	2,789
Total comprehensive income 2013	**0**	**4,875**	**-2,086**	**-28,040**	**-25,251**	**-25,251**
Equity as at 31 December 2013	**71,906**	**-11,796**	**2,486**	**24,053**	**86,649**	**86,649**

CASH FLOW STATEMENT

DKK '000	Note	2013	2012
Loss before tax		**-28,867**	**-17,919**
Adjustment for non-cash operating items etc.:			
Depreciation and amortisation	10, 11	18,108	18,688
Share of profit/loss after tax in associates		18,527	0
Other operating items, net		-2,086	72
Provisions		-331	-4,617
Financial income	6	-2,344	-4,257
Financial expenses	7	17,884	16,004
Cash flow from primary operations before changes in working capital		**20,891**	**7,971**
Change in inventories		-10,646	24,499
Change in receivables		-7,188	20,177
Change in trade payables etc.		14,382	-16,245
Cash flow from primary operations		**17,439**	**36,402**
Interest income received		537	1,788
Financial expenses paid		-17,884	-16,004
Cash flow from ordinary operations		**92**	**22,186**
Income tax paid		-439	-2,357
Cash flow from operating activities		**-347**	**19,829**
Purchase of intangible assets	10	-13,740	-15,814
Purchase of property, plant and equipment	11	-1,516	-2,590
Disposal of property, plant and equipment	11	56	247
Purchase of financial assets		0	-50
Disposal of financial assets		0	2,840
Financial loans		0	-5,067
Cash flow from investing activities		**-15,200**	**-20,434**
Loan financing:			
Lease payments in respect of assets held under finance leases		-6,854	-10,845
Cash flow from financing activities		**-6,854**	**-10,845**
Cash flow for the year		**-22,401**	**-11,450**
Cash and cash equivalents, beginning of year		-85,158	-73,562
Market value adjustment of cash and cash equivalents		-334	-146
Cash and cash equivalents, year-end		**-107,893**	**-85,158**
Cash, year-end, comprises:			
Cash	24	3,172	12,254
Short-term bank debt	24	-111,065	-97,412
Cash and cash equivalents, year-end		**-107,893**	**-85,158**

NOTES

1. ACCOUNTING ESTIMATES AND ASSESSMENTS

On the calculation of the carrying amount of certain assets and liabilities, an estimate is required of how future events will affect the value of such assets and liabilities at the balance sheet date. The management bases its estimates on historical experience and other assumptions which are deemed to be reasonable under the given circumstances. The assessments of the expectations for future periods used in accounting estimates and assessments are based on the budget for 2014, which was approved by the Board of Directors in December 2013, and on the strategy plan for 2015-2017 approved by the Board of Directors in Q4 2013.

These assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. Moreover, the company is exposed to risks and uncertainties which may cause the actual results to deviate from these estimates.

It may be necessary to change previous estimates as a result of changes in the circumstances on which the previous estimates were based, or as a result of new knowledge or subsequent events.

As part of the accounting policies applied by the group, the management performs assessments, in addition to estimates, which may have a significant impact on the amounts recognised in the annual report. The management of Dantherm A/S considers the following estimates and assessments to be material to the financial reporting – also as part of the accounting policies applied by the group.

CAPITAL BASE

The agreed credit limits are on a par with the budgeted liquidity requirement, and the management has a number of options for making adjustments to ensure additional liquidity if needed.

IMPAIRMENT TEST OF GOODWILL

The carrying amount of goodwill which relates to the Telecom segment is tested for impairment at least once a year together with the other non-current assets in the Telecom segment to which goodwill has been allocated. The value is calculated as the present value of the expected future net cash flows from the Telecom business and on the basis of the budget for 2014, the outlook for 2015-2017 as well as on a terminal value. The discount rate used to calculate the present value amounts to approx. 12% before tax and is based on the risk-free interest rate plus an estimated risk premium.

Going forward, Telecom expects considerable growth in revenue and thereby in earnings and cash flows, which is primarily expected to be related to sales to network operators following investments in market and product development in recent years. Naturally, the estimate of the expected cash flows for several years into the future is subject to some uncertainty. See note 10 for a description of the impairment test of goodwill.

IMPAIRMENT TEST OF DEVELOPMENT PROJECTS

Dantherm operates in competitive markets characterised by a constant call for new technological advances and for new and energy-efficient products. Dantherm is therefore continuously developing new products and recognises the associated costs under intangible assets in the balance sheet.

The carrying amount of development projects in progress is tested for impairment at least once a year and impaired to the recoverable amount in the income statement if the carrying amount exceeds the present value of the expected future net cash flows from a particular development project. The expected future cash flows are based on expectations of revenue and earnings during the lifetime of the projects being developed, and these earnings are compared to the carrying amount of the development projects. The determination of future net cash flows is naturally subject to some uncertainty.

RECOVERY OF DEFERRED TAX ASSETS

Deferred tax assets are recognised on the basis of a separate assessment of whether the asset is expected to be offset against tax on future earnings or against deferred tax liabilities. The assessment is based on the budget for 2014 and strategy figures for the companies for 2015-2017, taking into account the limitation rules for tax losses in the various countries, and on an estimate of the likely utilisation date for the asset. The assessment assumes a maximum period of five years. Reference is made to note 16.

The recovery of deferred tax assets is dependent on a positive future taxable income in companies with recognised losses, and recognition is thus based on an assessment of future positive taxable income. Naturally, such assessment is subject to some uncertainty.

INVENTORIES

As part of its ordinary activities, the group purchases materials from subsuppliers for processing within the group with a view to meeting the expected customer demand. It may sometimes be difficult to purchase the right materials to meet future customer demands, which may lead to situations where materials purchased or produced to stock are no longer expected to be in demand.

In such cases, a write-down to the lower net realisable value is made in respect of inventories. Inventories are written down based on historical scrappings due to obsolescence as well as knowledge and estimates of slow-moving items. The value of future scrappings or losses on sales at net realisable value may deviate from the write-downs made, but the management believes that the estimates made in respect of obsolescence are reasonable and expedient. Reference is made to note 13.

PROVISIONS

The group has warranty commitments in respect of goods and plant sold under warranties of between 1 and 5 years. The commitments have been calculated on the basis of historical warranty costs and are subject to some uncertainty due to the dependence on future events.

2. SEGMENT INFORMATION

Dantherm's reportable segments comprise the two strategic business segments HVAC and Telecom, which sell different products and services and have separate managements. See the management's review for a detailed description of the business segments. The development of the business segments is primarily assessed on the basis of the profit/loss before depreciation, amortisation, impairment losses and write-downs (EBITDA). The internal financial reporting on which the assessments are based follows the group's accounting policies.

2013

DKK '000	HVAC	Telecom	Total reportable segments	Group items not allocated	Group total
External revenue	298,288	183,237	481,525	0	481,525
Internal revenue	30,225	7,019	37,244	-37,244	0
Total revenue	328,513	190,256	518,769	-37,244	481,525
Profit/loss before depreciation, amortisation, impairment losses and write-downs (EBITDA)	29,290	842	30,132	-6,824	23,308
Total assets	252,838	101,813	354,651	49,895	404,546
Capital expenditure	9,509	5,747	15,256	0	15,256
Liabilities	164,789	76,150	240,939	76,958	317,897

2012

DKK '000	HVAC	Telecom	Total reportable segments	Group items not allocated	Group total
External revenue	336,174	145,883	482,057	0	482,057
Internal revenue	31,508	3,522	35,030	-35,030	0
Total revenue	367,682	149,405	517,087	-35,030	482,057
Profit/loss before depreciation, amortisation, impairment losses and write-downs (EBITDA)	35,798	-18,999	16,799	-4,283	12,516
Total assets	257,406	85,785	343,191	71,947	415,138
Capital expenditure	10,218	8,186	18,404	50	18,454
Liabilities	178,588	53,990	232,578	70,660	303,238

Transactions between segments have been carried out at arm's length.

2. SEGMENT INFORMATION – CONTINUED

Geographical information

Dantherm's HVAC products are sold mainly in Europe, while Telecom products are sold globally. Information about the distribution of revenue by geographical segment is based on the customers' geographical location, even though this will not always reflect the geographical location of the products. Information about the assets' distribution by geographical segment is also based on their physical location.

	2013		2012	
DKK '000	**Revenue**	**Non-current assets**	**Revenue**	**Non-current assets**
Denmark	39,069	203,886	39,881	222,874
Norway	55,077	3,916	62,893	4,904
Sweden	25,861	283	16,559	303
UK	24,252	687	27,361	710
Germany	75,235	0	118,053	0
France	30,885	0	29,309	0
Russia and the Baltic States	90,798	0	64,936	0
China	13,379	10,374	12,720	9,975
USA	49,796	3,130	40,653	2,822
Other countries	77,173	0	69,692	0
Total	**481,525**	**222,276**	**482,057**	**241,588**

Important customers

Total revenue from customers that individually account for more than 10% of the group's revenue is DKK 75m (2012: DKK 57m), corresponding to 16% (2012: 12%) of the group's total revenue.

DKK '000	**2013**	**2012**

3. OTHER OPERATING EXPENSES AND INCOME

Strategic analysis expenses	-818	0
Earn-out payment in respect of discontinued activities	0	1,310
Total other operating expenses and income	**-818**	**1,310**

4. COSTS

Costs of raw materials and consumables

Purchased supplies for the year	241,686	271,378
Change in inventories	10,646	-24,499
Write-down of inventories for the year	792	4,169
Reversed write-downs of inventories	-987	-5,063
Total costs of raw materials and consumables	**252,137**	**245,985**

Reversed write-downs of inventories primarily concern goods which have either been scrapped, sold or used in production.

Total fees for the auditor appointed by the general meeting can be specified as follows:

Audit	648	642
Tax and VAT consultancy services	42	86
Other consultancy services	176	58
Total	**866**	**786**

DKK '000	2013	2012

4. COSTS – CONTINUED

Research and development costs recognised in the income statement		
Research and development costs incurred	22,660	29,644
Development costs recognised under intangible assets, note 10	-12,620	-15,814
Total research and development costs recognised in the income statement	**10,040**	**13,830**

Research and development costs incurred are included in staff costs at DKK 6,981k and in other external expenses at DKK 3,059k.

Staff costs		
Remuneration of the Board of Directors of the parent	1,538	1,388
Wages and salaries	135,268	139,021
Defined contribution plans	12,057	12,616
Other social security expenses	6,105	6,756
Total staff costs	**154,968**	**159,781**
Average number of employees	491	548

	2013			2012		
DKK '000	Board of Directors of the parent	Board of Executives of the parent	Other executive employees	Board of Directors of the parent	Board of Executives of the parent	Other executive employees
Salaries and remuneration	1,538	3,762	3,005	1,388	2,288	3,978
Pension contributions	0	0	162	0	0	258
Total	**1,538**	**3,762**	**3,167**	**1,388**	**2,288**	**4,236**

The Board of Directors only receives fixed remuneration. The total remuneration for the Board of Directors amounted to DKK 1,538k in 2013 against DKK 1,388k in 2012. Since the general meeting in 2011, the Board of Directors has consisted of seven members – four members elected at the general meeting and three members elected by the employees as required by law.

The remuneration for each board member is DKK 150k, which has been unchanged since 2007. In addition to this, the Chairman and the Deputy Chairman receive an allowance of 150% and 75%, respectively. In 2013, the Deputy Chairman received additional remuneration of DKK 150k for his work on strategic activities in China.

In 2012 and 2013, the remuneration for the Board of Executives comprised a fixed salary and a bonus which is conditional upon the fulfilment of a number of objectives defined in advance. The annual bonus cannot exceed 40% of the fixed salary.

From 2012 until March 2013, the Board of Executives consisted of one person and subsequently two persons.

The total remuneration for the Board of Executives amounted to DKK 3,762 in 2013 (2012: DKK 2,288k).

Other executive employees are employees responsible for the group's main business areas and who are not members of the Board of Executives of the parent. From 2012 until March 2013, the group consisted of three persons and subsequently two persons.

5. SHARE-BASED REMUNERATION

In 2007, Dantherm A/S established a two-year share option programme for the Board of Executives and executive employees (nine persons in total). The share option programme ended in 2009, and no costs relating to the programme have been recognised in 2012 and 2013.

The share option programme comprised a total of 28,798 share options as at 31 December 2013, which is 22,486 fewer than at the end of 2012. Each share option entitles the owner to buy one existing Dantherm A/S share with a nominal value of DKK 10. The outstanding options constitute 0.4% of the share capital (2012: 0.7%).

The share options may be exercised during a period from three to six years after granting. Consequently, options granted in 2008 may be exercised as of the general meeting in 2011 until the general meeting in 2014. The options can only be exercised during a period of four weeks after publication of an annual or interim report. The exercise price was fixed as the average price for a period of ten days after publication of the company's annual report plus 5% per year. So far, no options have been exercised under the programme.

The options can only be settled in shares. A portion of the company's holding of treasury shares has been reserved for any settlement of options granted.

the parent	Board of Executives of the parent	Other executive employees	Total	Average exercise price per option	Fair value per option at the time of granting	Total at the time of granting
	No. of options	No. of options	No. of options	DKK	DKK	DKK '000
Outstanding options at the end of 2012	**10,355**	**40,929**	**51,284**	**163**	**33**	**1,672**
Outstanding options at the beginning of 2013	**10,355**	**40,929**	**51,284**	**163**	**33**	**1,672**
Reclassification	4,585	-4,585	0	0	0	0
Expired	-5,862	-16,624	-22,486	142	28	-640
Outstanding options at the end of 2013	**9,078**	**19,720**	**28,798**	**179**	**36**	**1,032**
Number of exercisable options at the end of 2012	**10,355**	**40,929**	**51,284**			
Number of exercisable options at the end of 2013	**9,078**	**19,720**	**28,798**			

The calculated fair values are based on a Black-Scholes model for the valuation of options. The assumptions for the determination of fair value at the time of granting are as follows:

	2008	2007
Average share price (DKK)	133.61	106.13
Exercise price (DKK)	179.06	142.23
Expected volatility	30.0%	30.0%
Expected term	6 years	6 years
Risk-free interest rate	4.0%	4.0%

DKK '000	2013	2012

6. FINANCIAL INCOME

	2013	2012
Interest, cash etc.	100	241
Foreign exchange gains	405	1,526
Interest on loan to associate	1,822	2,469
Other financial income	17	21
Total financial income	**2,344**	**4,257**
Interest on financial assets measured at amortised cost amounts to	1,939	2,731

DKK '000	2013	2012

7. FINANCIAL EXPENSES

Interest, credit institutions etc.	13,419	12,380
Foreign currency translation adjustment and losses	1,468	2,013
Fees and other costs	2,997	1,611
Total financial expenses	**17,884**	**16,004**
Interest on financial liabilities measured at amortised cost amounts to	16,416	13,991

8. TAX

Tax for the year can be specified as follows:		
Tax on loss for the year	827	1,396
Total	**827**	**1,396**
Tax on loss for the year comprises:		
Current tax	447	88
Adjustment of deferred tax in Denmark due to change in tax rate	-125	0
Adjustment of deferred tax	414	1,584
Adjustment of deferred tax due to changed assessment of tax assets	838	955
Adjustment of tax, previous years	0	680
Other taxes, including withholding tax	-747	-1,911
Total	**827**	**1,396**

Adjustment of deferred tax as a result of a changed tax rate is due to a reduction in the tax rate in Denmark in the coming years. Adjustment of deferred tax as a result of a changed assessment of tax assets primarily concerns the US company where earnings have increased.

Tax on loss for the year comprises:		
Loss before tax	-28,867	-17,919
Tax rate	25%	25%
Calculated tax on loss before tax	7,217	4,480
Adjustment of calculated tax in foreign group enterprises relative to current tax rate	-126	-1,269
Change in tax rate	-125	0
Losses in companies for which the tax base is not recognised	-6,941	-2,069
Other taxes, including withholding tax	-747	-1,911
Tax effect of:		
Non-deductible expenses and non-taxable income, net	711	530
Change in the valuation of tax losses in addition to earnings performance	838	955
Adjustment of tax, previous years	0	680
Total	**827**	**1,396**
Effective tax rate, income	3%	8%

The tax income stems primarily from a refund of development costs in Denmark and an adjustment of deferred tax in the US company. Recognition of tax assets in the group's companies is based on an assessment of earnings and taking account of the rules on limitation in the individual countries, resulting in income of DKK 838k in 2013 (2012: DKK 995k). Recognition of deferred tax in the Danish jointly taxed unit is made by taking account of a reduction in the tax rate in the coming years.

As at 31 December 2013, the group had unrecognised tax losses of DKK 44m (2012: DKK 46m) in foreign companies and DKK 148m (2012: DKK 133m) in the Danish joint taxation scheme, equivalent to a total tax value of DKK 50m (2012: DKK 48m). Some of the unrecognised tax losses are subject to restrictions, while some are subject to rules on limitation.

DKK '000	2013	2012
9. EARNINGS PER SHARE		
Net loss for the year	**-28,040**	**-16,523**
Average number of shares	7,190,574	7,190,574
Average number of treasury shares	-80,526	-80,526
Average number of shares in circulation	**7,110,048**	**7,110,048**
Diluted average number of shares in circulation	**7,110,048**	**7,110,048**
Earnings per share (EPS) of DKK 10	-3.9	-2.3
Diluted earnings (EPS-D) per share of DKK 10	-3.9	-2.3

The calculation of earnings per share for continuing and discontinuing operations is based on the same key figures as earnings per share:

Dantherm shareholders' share of:		
Loss from continuing operations	-28,040	-16,523
Net loss for the year	**-28,040**	**-16,523**

The calculation of diluted earnings per share in 2012 and 2013 did not include 51,284 and 28,798 out-of-the-money share options which may potentially dilute future earnings per share.

10. INTANGIBLE ASSETS

DKK '000	Goodwill	Completed development projects	Patents and licenses	Development projects in progress	Total
Cost as at 1 January 2012	95,271	32,480	5,279	4,353	137,383
Foreign currency translation adjustment	0	16	-20	0	-4
Reclassification	0	4,546	905	-5,451	0
Additions	0	204	463	15,147	15,814
Disposals	0	-4,354	0	0	-4,354
Cost as at 31 December 2012	**95,271**	**32,892**	**6,627**	**14,049**	**148,839**
Amortisation as at 1 January 2012	25,744	26,264	4,921	0	56,929
Foreign currency translation adjustment	0	20	-20	0	0
Amortisation	0	3,944	235	304	4,483
Amortisation, disposals	0	-4,354	0	0	-4,354
Amortisation as at 31 December 2012	**25,744**	**25,874**	**5,136**	**304**	**57,058**
Carrying amount as at 31 December 2012	**69,527**	**7,018**	**1,491**	**13,745**	**91,781**
Cost as at 1 January 2013	95,271	32,892	6,627	14,049	148,839
Foreign currency translation adjustment	0	-47	-79	-18	-144
Reclassification	0	15,122	174	-17,531	-2,235
Additions	0	68	1,120	12,552	13,740
Disposals	0	0	0	-54	-54
Cost as at 31 December 2013	**95,271**	**48,035**	**7,842**	**8,998**	**160,146**
Amortisation as at 1 January 2013	25,744	25,874	5,136	304	57,058
Foreign currency translation adjustment	0	-35	-71	0	-106
Reclassification	0	-74	74	-599	-599
Amortisation	0	5,928	438	295	6,661
Amortisation as at 31 December 2013	**25,744**	**31,693**	**5,577**	**0**	**63,014**
Carrying amount as at 31 December 2013	**69,527**	**16,342**	**2,265**	**8,998**	**97,132**
Amortisation period	Not amortised	3-6 years	3-6 years		

Goodwill:

As at 31 December 2013, the management performed a test of the carrying amount of goodwill for impairment. Goodwill concerns the Telecom business.

When performing the impairment test, the recoverable amount corresponding to the discounted value of expected future net cash flows for the Telecom business was compared with the carrying amount of goodwill and equity. The recoverable amount is based on the value in use.

Expected future net cash flows are based on the budget for 2014 approved by the management, the strategy plan for 2015-2017 and a terminal value. The discount rate used to calculate the recoverable amount amounted to approx. 13% before tax in 2012 and 2013 and reflects the risk-free interest rate plus market risks.

The development in Telecom was unsatisfactory in 2012 due to low sales to network suppliers. In 2013, sales to network suppliers were back to normal, and revenue growth of 25% and positive EBITDA were realised. Historically, Dantherm's Telecom business has primarily been centred on sales to network suppliers, but in recent years investments have been made in market presence and product development targeted at network operators with a view to increasing sales to this customer group. These investments have still not contributed to increased revenue, but have resulted in a broader customer base which is an important prerequisite for increasing sales going forward. The market potential remains unchanged, and these measures are expected to contribute to future growth in revenue.

10. INTANGIBLE ASSETS – CONTINUED

The impairment test performed in 2013 is based on an updated outlook for revenue and net cash flows in the coming years made in conjunction with the analysis initiated with a view to strengthening the capital structure. In the coming years, slightly increasing sales to network suppliers and growth in revenue from network operators are expected as a result of the strategic measures that have been and will be implemented. The strategy plan up to 2017 includes an expected growth in revenue of approx. 75% relative to 2013. Consequently, net cash flows are expected to improve considerably as a result of increased earnings. The terminal period assumes annual growth of 1% for 2012 and 2013.

The recoverable amount is thus believed to exceed the carrying amount by some DKK 38m (2012: DKK 225m), and therefore no impairment has been made.

Sensitivity analysis

Sensitivity analyses have been performed where the recoverable amount is calculated based on a change in the primary assumptions for the estimated revenue growth and expected operating profit/loss relative to revenue. In order for the recoverable amount for 2013 to correspond to the carrying amount of goodwill, the estimated revenue growth, provided the other assumptions remain unchanged, would have to be reduced by around 20% annually in the period 2014-2017 and in the terminal period.

In order for the recoverable amount for 2013 to correspond to the carrying amount of goodwill, the operating profit/loss relative to revenue, provided the other assumptions remain unchanged, would have to be reduced by around 1.5% annually in the period 2014-2017 and in the terminal period in relation to a level of 3-8% in the period.

Other intangible assets

Disposals relating to development projects mainly comprise internal wages and salaries for the project on a time-spent basis and to some extent external costs in respect of consultants etc. The management has neither in 2012 nor in 2013 identified factors indicating a need for impairment testing of other intangible assets.

11. PROPERTY, PLANT AND EQUIPMENT

DKK '000	Land and buildings	Leasehold improve-ments	Plant and machinery	Other plant, fixtures and fittings, tools and equipment	Assets under construction	Total
Cost as at 1 January 2012	160,256	8,202	132,194	21,670	0	322,322
Foreign currency translation adjustment	586	-26	-62	269	0	767
Additions	0	41	814	1,735	0	2,590
Disposals	0	-1,012	-1,283	-812	0	-3,107
Cost as at 31 December 2012	**160,842**	**7,205**	**131,663**	**22,862**	**0**	**322,572**
Depreciation as at 1 January 2012	57,643	7,572	102,975	19,657	0	187,847
Foreign currency translation adjustment	449	-27	-57	213	0	578
Depreciation	5,086	362	7,897	955	0	14,300
Depreciation, disposals	0	-1,012	-1,283	-660	0	-2,955
Depreciation as at 31 December 2012	**63,178**	**6,895**	**109,532**	**20,165**	**0**	**199,770**
Carrying amount as at 31 December 2012	**97,664**	**310**	**22,131**	**2,697**	**0**	**122,802**
Of which assets held under finance leases	92,479	0	712	0	0	93,191
Cost as at 1 January 2013	160,842	7,205	131,663	22,862	0	322,572
Foreign currency translation adjustment	-1,327	-128	-459	-691	0	-2,605
Reclassification	0	0	1,636	0	0	1,636
Additions	0	128	459	562	367	1,516
Disposals	0	0	-20	-441	0	-461
Cost as at 31 December 2013	**159,515**	**7,205**	**133,279**	**22,292**	**367**	**322,658**
Depreciation as at 1 January 2013	63,178	6,895	109,532	20,165	0	199,770
Foreign currency translation adjustment	-1,029	-121	-421	-530	0	-2,101
Depreciation	5,084	80	5,433	895	0	11,492
Depreciation, disposals	0	0	-18	-432	0	-450
Depreciation as at 31 December 2013	**67,233**	**6,854**	**114,526**	**20,098**	**0**	**208,711**
Carrying amount as at 31 December 2013	**92,282**	**351**	**18,753**	**2,194**	**367**	**113,947**
Of which assets held under finance leases	88,086	0	0	0	0	88,086
Depreciation period	15-30 years	5 years	5-8 years	3-7 years	-	-
Selling price of disposed assets	0	0	6	50	0	56
Carrying amount	0	0	2	9	0	11
Gain/loss on sale	**0**	**0**	**4**	**41**	**0**	**45**

12. INVESTMENTS IN ASSOCIATES

Investments in associates comprise Dantherm Power A/S, which is domiciled in Hobro, Denmark, with Dantherm's ownership share amounting to 38.7% (2012: 43%).

DKK '000	2013	2012
Cost as at 1 January	33,150	33,100
Additions (debt conversion in 2013)	15,412	50
Cost as at 31 December	**48,562**	**33,150**
Adjustments as at 1 January	-33,100	-33,100
Impairment losses	-15,462	0
Adjustments as at 31 December	**-48,562**	**-33,100**
Carrying amount as at 31 December	**0**	**50**

Key figures for Dantherm Power A/S:

DKK '000	Revenue	Net loss for the year	Assets	Liabilities	Dantherm's share Equity	Dantherm's share Net loss for the year
2012	37,881	-24,156	39,527	63,843	-10,456	-10,387
2013	11,834	-28,588	28,242	32,612	-1,704	-11,149

DKK '000	2013	2012
13. INVENTORIES		
Raw materials and consumables	38,710	35,325
Work in progress	9,402	7,460
Manufactured goods and goods for resale	49,877	44,558
Total inventories	**97,989**	**87,343**
14. RECEIVABLES		
Trade receivables	73,487	65,372
Receivables from associates	775	561
Other receivables	3,842	4,230
Total short-term receivables	**78,104**	**70,163**

15. EQUITY

Capital management

Dantherm's dividend policy is to distribute approx. 30% of the net profit for the year to its shareholders – with due account being taken at all times of the group's expansion plans and financial and cash position. The company also aims to maintain an equity interest of at least 30%. No dividend was distributed in 2012 and 2013.

Share capital	No. of shares 2013	No. of shares 2012	Nominal value (DKK '000) 2013	Nominal value (DKK '000) 2012
1 January	7,190,574	7,190,574	71,906	71,906
31 December	**7,190,574**	**7,190,574**	**71,906**	**71,906**

15. EQUITY – CONTINUED

Treasury shares

	No. of shares		Nominal value (DKK '000)	
	2013	**2012**	**2013**	**2012**
1 January	80,526	80,526	4,026	4,026
31 December	**80,526**	**80,526**	**4,026**	**4,026**
Treasury shares' share of the share capital	**1.1%**	**1.1%**		

The share capital comprises 7,190,574 shares with a nominal value of DKK 10 each. The shares are not divided into classes.

The Board of Directors has been authorised by the general meeting to increase the company's share capital in one or more rounds by up to a nominal value of DKK 28,094,260, bringing the share capital to DKK 100,000,000 through the subscription of new shares at a price specified by the Board of Directors. The authorisation is valid for the period up until 10 April 2018.

Dantherm has been authorised by the general meeting to let the company buy treasury shares up to a total nominal value of 10% of the share capital. The consideration paid must not deviate by more than 10% from the currently listed share price at the time of the purchase. This authorisation is valid until the annual general meeting in 2016.

No treasury shares were traded in 2012 and 2013.

DKK '000	**31.12.13**	**31.12.12**
16. DEFERRED TAX (ASSET)		
Deferred tax as at 1 January	-10,299	-7,049
Foreign currency translation adjustment	229	-31
Change in deferred tax due to change in tax rate	125	0
Change in deferred tax, previous years	0	-680
Changed assessment of tax assets	-838	-955
Deferred tax for the year included in the net loss for the year	-414	-1,584
Deferred tax as at 31 December, net	**-11,197**	**-10,299**
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax	-11,197	-10,299
Deferred tax as at 31 December, net	**-11,197**	**-10,299**
Deferred tax concerns:		
Non-current assets	699	150
Current assets	-1,425	-1,632
Liabilities	-840	-627
Tax losses allowed for carry-forward	-9,631	-8,190
Total deferred tax	**-11,197**	**-10,299**

Deferred tax assets in Danish and foreign companies are recognised as tax loss carry-forwards and other differences offset against income likely to be realised in future with a maximum assessment period of five years. Recognition is made on the basis of the earnings outlook and subject to specific circumstances and the rules on limitation in the individual countries. Recognition is based on the budget for 2014 and the strategy plan for 2015-2017.

The positive adjustment of deferred tax assets for the year is primarily attributable to the US company.

The group has unrecognised tax losses of DKK 192m (2012: DKK 179m) where the tax value amounts to DKK 50m (2012: DKK 48m) which is not recognised in the balance sheet.

DKK '000	31.12.13	31.12.12

17. PROVISIONS

Warranty commitments as at 1 January	3,117	7,734
Foreign currency translation adjustment	-108	43
Used during the year	-2,030	-3,008
Reversed provision	0	-4,500
Provisions for the year	1,807	2,848
Warranty commitments as at 31 December	**2,786**	**3,117**
Provisions as at 31 December	**2,786**	**3,117**
Expected dates of maturity for provisions:		
0-1 year	2,282	2,501
1-5 years	504	616
Provisions as at 31 December	**2,786**	**3,117**

Warranty commitments concern goods sold under warranty. The commitments have been calculated on the basis of the most recently updated experience. The costs are expected to be incurred during the warranty period. Goods are generally sold under warranties of 12-24 months, in some cases up to 60 months.

18. PAYABLES TO CREDIT INSTITUTIONS

Payables to credit institutions comprise:		
Finance lease commitments	88,181	95,035
Bank debt	118,148	105,545
Total carrying amount	**206,329**	**200,580**
Payables to credit institutions are recognised as follows:		
Long-term payables	89,204	96,340
Short-term payables	117,125	104,240
Total carrying amount	**206,329**	**200,580**

			Average effective interest rate		Carrying amount	
Loan/maturity	**Currency**	**Fixed/floating**	**31.12.13**	**31.12.12**	**31.12.13**	**31.12.12**
Finance lease commitments, buildings	DKK	Fixed, incl. variable supplement	7%	7%	88,181	94,047
Finance lease commitments, machinery	DKK	Floating	4-6%	4-6%	0	988
Bank debt	DKK	Floating	4-7%	3-7%	96,169	83,686
Bank debt	EUR	Floating	4-6%	3-5%	2,125	693
Bank debt	USD	Floating	4-6%	3-5%	6,053	7,219
Bank debt	GBP	Floating	4-6%	3-5%	3,680	3,608
Bank debt	SEK	Floating	4-6%	3-5%	2,670	2,149
Bank debt	NOK	Fixed	5%	6%	7,083	8,134
Bank debt	NOK	Floating	6-7%	-	313	0
Bank debt	Other	Floating	4-6%	3-5%	55	56
Total					**206,329**	**200,580**

A fixed-rate swap with an interest rate of 4% until June 2020 has been entered into for finance lease commitments in respect of buildings. To this should be added a variable supplement.

The interest on floating-rate debt follows the spot rate.

The interest on bank debt in NOK is fixed until mid-2017.

18. PAYABLES TO CREDIT INSTITUTIONS – CONTINUED

The above-mentioned payables include finance leases as follows:

Finance leases are recognised as follows:		2013	
DKK '000	**Lease payment**	**Interest**	**Carrying amount**
0-1 year	9,964	-3,904	6,060
1-5 years	39,081	-12,755	26,326
> 5 years	59,278	-3,483	55,795
31 December 2013	**108,323**	**-20,142**	**88,181**

Finance leases are recognised as follows:		2012	
DKK '000	**Lease payment**	**Interest**	**Carrying amount**
0-1 year	10,996	-4,168	6,828
1-5 years	39,403	-13,925	25,478
> 5 years	68,945	-6,216	62,729
31 December 2012	**119,344**	**-24,309**	**95,035**

Finance lease commitments concern an agreement on leasing of the buildings in Denmark, which runs until June 2020. The agreement is subject to payment of a variable lease payment, but a fixed-rate swap has been entered into to hedge the variable payment. The interest rate swap has the same term as the financial loan agreement, and interest on the loan therefore remains fixed throughout the term. The interest rate swap is regulated via other comprehensive income and had a positive impact on the financial statements of DKK 4,875k in 2013 (2012: DKK -2,056k). See also note 25.

The variable payment on the financial lease entails a difference between the carrying amount and the fair value, which amounted to DKK 2,409k at the end of 2013 (2012: DKK 2,732k).

DKK '000	31.12.13	31.12.12
19. OTHER PAYABLES		
Trade payables	**60,444**	**42,405**
Shareholder loans	5,946	5,658
Negative value of hedging transactions	11,796	16,671
Other payables (holiday pay obligation, other employee obligations, A-tax etc.)	29,782	32,326
Other payables	**47,524**	**54,655**
Total trade payables and other payables	**107,968**	**97,060**

20. INCOME TAX RECEIVABLE AND PAYABLE

Income tax as at 1 January	358	-147
Foreign currency translation adjustment	123	-29
Current tax	447	88
Tax paid	-336	446
Income tax as at 31 December	**592**	**358**
Recognised as follows:		
Income tax receivable	1,405	1,437
Income tax payable	-813	-1,079
Total income tax	**592**	**358**

21. CONTINGENT LIABILITIES

As a result of the group's ordinary operations, the group is regularly party to warranty, complaint and product liability cases concerning the products supplied. Furthermore usual guarantees relating to tax and environment have been furnished in connection with previous divested companies. The possible financial net liabilities are assessed on a regular basis, and separate provisions are made based on the management's careful assessment of the financial liabilities attaching to the individual cases.

An agreement has been concluded with a consultant who will only be paid if specific conditions are met. These conditions had not been met at the balance sheet date, and it is not possible to determine the size of the amount.

This is not expected to impact the group's financial position over and above the liabilities recognised in the balance sheet as at 31 December 2013.

DKK '000	31.12.13	31.12.12

22. SECURITY FURNISHED

As security for finance lease commitments of	88,181	95,035
the following has been provided:		
Land and buildings with a carrying amount of	88,086	92,479
Plant and machinery with a carrying amount of	0	712
As security for bank debt of	7,083	8,134
the following has been provided:		
Land and buildings with a carrying amount of	1,997	2,344
Current assets with a carrying amount of	18,040	20,563

As security for payables to credit institutions of DKK 199,201k (2012: DKK 191,458k), a company charge of a maximum of DKK 75,000k was provided in the subsidiary Dantherm Air Handling A/S in 2012 and 2013. The company charge comprises intangible assets and property, plant and equipment of DKK 42,768k (2012: DKK 40,419k), inventories of DKK 55,300k (2012: DKK 50,672k) and receivables of DKK 30,669k (2012: DKK 32,383k).

23. CONTRACTUAL OBLIGATIONS

The group leases IT equipment, photocopiers and vehicles under operating leases. In addition, leases are concluded for office space for the companies in the group. The leases are concluded on customary lease terms.
Operating lease payments and leases are as follows:

0-1 year	6,670	6,225
1-5 years	6,990	5,443
After 5 years	0	814
Total contractual obligations	**13,660**	**12,482**
Costs relating to operating leases recognised in the income statement	6,183	6,923

24. CASH AND CASH EQUIVALENTS AND SHORT-TERM BANK DEBT

Cash and cash equivalents	3,172	12,254
Cash and cash equivalents as at 31 December	**3,172**	**12,254**
Short-term payables to credit institutions	117,125	104,240
Of which short-term part of lease commitments	-6,060	-6,828
Short-term bank debt as at 31 December	**111,065**	**97,412**

Cash and cash equivalents comprise mainly bank deposits in Chinese banks which are not included in the bank agreement with the group's primary credit institutions and are not freely disposable outside China.

25. FINANCIAL RISKS AND INSTRUMENTS

Risk management policy of the group

Due to its operations, investments and financing, Dantherm is exposed to a number of financial risks, including currency, interest rate, credit and liquidity risks. Raw material risks are less important to the group as actual raw materials only constitute a small part of the finished goods.

It is group policy to identify and hedge all significant financial risks in an expedient way based on an assessment of profitability and not to engage in active speculation in financial risks. The group's financial management is thus only aimed at managing financial risks stemming directly from the operations and financing of the group.

The framework for managing financial risks is described in the group's Finance Manual, which is updated annually. This framework complies with the policies adopted by the management. The financial risks faced by the group are considered by the Board of Directors at least once a year, where it is assessed whether risks have changed and whether policies and initiatives implemented need to be adjusted.

Currency risks

The group's most important currency exposure relates to sales, receivables and debt denominated in USD, CNY and NOK. The Danish consolidated enterprises' exposure in EUR is not hedged due to Denmark's fixed-rate policy vis-à-vis the EUR. It is group policy to hedge all significant currency risks arising from contracts in foreign currencies where the cash flow can be predicted with sufficient accuracy. The currency risks faced by the group are mainly hedged by income and expenses being incurred in the same currency. The group's foreign enterprises are not materially influenced by exchange rate fluctuations as both income and expenses are settled in the local currencies.

Currency risks in relation to the valuation of foreign net investments are generally not hedged. Targeted efforts are being made to capitalise the foreign subsidiaries in order to reduce the translation risk.

As a result of the group's international activities, developments in exchange rates between DKK and the various reporting currencies of the group companies are important for the operating profit/loss and equity as measured in DKK. Exchange rate fluctuations in DKK/CNY and DKK/NOK are estimated to have the highest potential effect on results and equity. A 10% lower exchange rate between DKK/USD would, all else being equal, affect the results by DKK 0.2m (2012: DKK 1.1m) and equity by DKK 3.8m (2012: All else being equal, a 10% lower exchange rate between DKK/NOK would affect the group's results and equity for 2013 by DKK 0.3m (2012: DKK 0.2m) and DKK 1.0m (2012: DKK 1.2m).

The group's primary currency risks in the balance sheet
31 December 2013

DKK '000	Securities and cash and cash equivalents	Receivables	Payables	Net position
USD/DKK	0	-749	-2,410	-3,159
USD/CNY	459	23,380	-11	23,828
EUR/NOK	0	0	-3,263	-3,263
Total	**459**	**22,631**	**-5,684**	**17,406**

31 December 2012

DKK '000	Securities and cash and cash equivalents	Receivables	Payables	Net position
USD/DKK	0	1,746	-2,623	-877
USD/CNY	167	10,174	0	10,341
EUR/NOK	0	0	-1,441	-1,441
Total	**167**	**11,920**	**-4,064**	**8,023**

Interest rate risks

As a result of its financing activities, the group is exposed to risks relating to fluctuations in interest rate levels. The primary interest rate exposure concerns Danish loans and is related to CIBOR.

It is group policy to hedge interest rate risks on the group's loans when it is deemed that interest payments can be hedged satisfactorily. Hedging is done by entering into interest rate swaps where floating-rate loans are converted into fixed-rate loans or by raising fixed-rate loans. The management regularly assesses the expediency of entering into agreements fully or partly hedging the interest rate risk.

25. FINANCIAL RISKS AND INSTRUMENTS – CONTINUED

In order to limit the interest rate risk, it is the management's aim that approximately half of the group's interest-bearing debt should be in the form of fixed-rate loans. At the end of 2012 and 2013, the fixed-rate portion accounted for 51% and 46%, respectively, including finance lease commitments in respect of the property in Denmark which carries floating interest, but for which a fixed-rate interest rate swap has been entered into. All else being equal, an increase in interest rate levels of 1% per year relative to the interest rate level at the balance sheet date would have had a negative impact on the results and equity of approx. DKK 2m in 2012 and 2013. Similarly, a fall in interest rate levels would have had a positive impact.

The subsidiary Dantherm Air Handling A/S has entered into a fixed-rate interest rate swap (level 2 of the fair value hierarchy) for hedging the floating interest rate on loans in the property in Skive of DKK 88,181k (2012: DKK 94,047k). The fair value of the interest rate swap outstanding at the balance sheet date for hedging the interest rate risk of floating-rate loans amounts to DKK -11,796k (2012: DKK -16,671k). The term of the interest rate swap corresponds to the term of the loan, which expires in June 2020.

Liquidity risks

In connection with the raising of loans, it is group policy to ensure the greatest possible flexibility through a spreading of the loans in terms of date of maturity/renegotiation and counterparties while taking pricing into account. The group's cash reserves consist of cash and cash equivalents and undrawn credit facilities. The group aims at having adequate cash resources to be able to continue to make expedient arrangements in case of unforeseen fluctuations in liquidity.

At the end of 2013, the group had unutilised cash reserves of DKK 13m against DKK 36m at the end of 2012. As announced in company announcement no. 13 of 16 October 2013, a strategic analysis has been carried out with a view to assessing the opportunities for strengthening the cash resources, including the cash reserves.

In April 2012, Dantherm concluded an agreement with its primary credit institutions on committed facilities which expire on 1 May 2014. The agreement comprises the usual covenants. In consequence of the financial developments in 2012, Dantherm was not able to meet the covenants relating to "Net interest-bearing debt/EBITDA" and "EBITDA/interest expenses" as at 30 September 2013. As a result, Dantherm received a waiver from the credit institutions before 30 September 2013 which means that they cannot demand repayment of the debt.

In February 2014, Dantherm renegotiated its agreement with the primary credit institutions which have granted an extension of the agreement until 31 March 2015. The agreement comprises the usual covenants. The agreed credit limits are on a par with the budgeted liquidity requirement, and the management has a number of options for making adjustments to ensure additional liquidity if needed.

The company's contractual cash flows fall due as follows:

DKK '000	Total	Within 1 year	1-5 years	After 5 years
2012	246,243	18,016	155,727	72,500
2013	246,291	18,210	166,812	61,269

Credit risks

Cash and cash equivalents primarily comprise deposits in Chinese banks. The deposits are not deemed to be subject to special risks. Cash and cash equivalents are not comprised by the agreement with the group's primary credit institutions.

The group's credit risks concern cash, trade receivables and balances with associates.

The group has no material risks relating to individual customers or collaboration partners. The group's policy for taking on credit risks means that all major customers are credit-rated on a continuous basis and that all customers above an internally established level as a rule are credit-insured.

Of the total debtor balance as at 31 December 2013, 37% is insured against losses (2012: 55%), which is due to the fact that a single large customer is no longer insured.. The maximum credit risk for financial assets is reflected in the carrying amounts recognised in the balance sheet without taking securities provided into account. Traditionally, the group has not generated significant losses on trade receivables.

Based on the group's internal credit-rating procedures, including the extent of credit insurance, the credit quality of receivables not written down and not yet due are assessed to be high with a low risk of loss. The credit quality is not deemed to be dependent to any materiel extent on the debtors' domiciles.

25. FINANCIAL RISKS AND INSTRUMENTS – CONTINUED

The geographical distribution of trade receivables not written down and not yet due is as follows:

DKK '000	31.12.2013	31.12.2012
Denmark	3,378	4,307
EU countries	32,905	22,776
Asia	4,270	10,602
USA	3,204	6,222
Other countries	11,177	5,630
Total receivables	**54,934**	**49,537**

Write-downs are typically recognised for the individual receivable when an objective indication of i mpairment exists, entailing a need for write-down. No security has been provided for these receivables.

No special conditions affect the credit quality of receivables. Write-downs have developed as follows:

Write-downs as at 1 January	988	964
Realised loss during the year	-121	0
Net change in provision	152	24
Write-downs as at 31 December	**1,019**	**988**

Trade receivables overdue but not impaired as at 31 December amount to:

Maturity period		
1-2 months	16,729	11,218
2-3 months	1,080	3,020
3 months or more	2,538	2,158
Total	**20,347**	**16,396**

Interest income from receivables written down of DKK 1,822k has been recognised in the income statement in 2013. No interest income from receivables written down was recognised in 2012.

Categories of financial instruments

Financial assets and liabilities are recognised at amortised cost, except for the interest rate swap in respect of the property in Denmark, which is recognised at fair value. The carrying amount of assets and liabilities recognised at amortised cost corresponds to the fair value of such assets and liabilities, except for finance lease commitments where there is a difference of DKK 2,409k (2012: DKK 2,732k) between the carrying amount and the fair value.

Methods and preconditions for the measurement of fair values

The methods and preconditions applied when measuring the fair values of financial instruments are described per class of financial instruments. The methods applied are unchanged relative to 2012.

Derivative financial instruments

Interest rate swaps are measured on the basis of generally accepted valuation methods. Externally calculated fair values are applied based on the discounted expected future cash flows.

Finance leases (measured at amortised cost in the balance sheet)

The fair value of finance leases is based on externally calculated fair values.

Trade receivables and trade payables (measured at amortised cost in the balance sheet)

The fair value of trade receivables and trade payables is assessed to correspond to the carrying amount of such receivables and payables.

26. RELATED PARTIES

Dantherm A/S does not have any related parties with a controlling influence. Related parties with a significant influence comprise Dantherm A/S's and D.F. Holding, Skive A/S's members of the companies' Board of Directors and Board of Executives and their related family members. Furthermore, related parties comprise enterprises in which the above-mentioned individuals have a significant interest.

Finally, related parties comprise the group enterprises and associates included in the group chart on page 27.

Transactions with related parties comprise loan balances and interest thereon, the purchase and sale of goods and services, management fees and remuneration for the Board of Executives and the Board of Directors.

The remuneration for the Board of Executives and the Board of Directors appears from note 4. Transactions with group enterprises have been eliminated in the consolidated financial statements. Transactions with associates comprise:

DKK '000	2013	2012
Trade receivables	1,185	2,394

Receivables from associates are recognised in the balance sheet, and interest thereon appears from note 6.

27. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No significant events have occurred after the balance sheet date.

28. ACCOUNTING POLICIES

Dantherm A/S is a public limited company domiciled in Denmark. The financial part of the annual report for the period 1 January – 31 December 2013 comprises the consolidated financial statements of Dantherm A/S and its subsidiaries (the group) as well as separate financial statements of the parent.

The consolidated financial statements of Dantherm A/S for 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

BASIS OF PREPARATION

The annual report is presented in DKK rounded off to the nearest DKK '000.

The annual report has been prepared according to the historical cost principle, except for the following assets and liabilities, which are measured at fair value: Derivatives and any financial instruments in the trading portfolio and any financial instruments classified as held for sale.

The accounting policies, which are described below, have been applied consistently during the financial year and in relation to the comparative figures. The accounting policies have been applied consistently with last year.

NEW ACCOUNTING REGULATION

The group has implemented the standards and interpretations which become effective in 2013. Furthermore, the group has adopted the amendments to IAS 36 early. The new standards and interpretations have not affected recognition and measurement in 2013 and are not expected to affect the group.

In addition to the above, the IASB has issued a number of new or updated and changed standards and interpretations (IFRSs) which have been adopted by the EU, but which have not yet come into force. Dantherm does not expect the implementation of these standards to have a material impact on the consolidated financial statements.

DESCRIPTION OF ACCOUNTING POLICIES

Consolidated financial statements

The consolidated financial statements cover the parent Dantherm A/S and subsidiaries in which Dantherm A/S has a controlling influence on the financial and operational policies of such enterprise with a view to obtaining a return or other advantages from its activities. A controlling influence is obtained by owning or controlling, directly or indirectly, more than 50% of the voting rights or otherwise controlling the enterprise in question.

Companies in which the group has a substantial, but not controlling influence, are considered to be associates. A significant influence is typically obtained by directly or indirectly owning or controlling more than 20%, but less than 50%, of the voting rights. When assessing whether Dantherm A/S has a controlling or a significant influence, potential voting rights which may be exercised at the balance sheet date are taken into consideration. A group chart is shown on page 27.

The consolidated financial statements are prepared as a summary of the parent's and the individual subsidiaries' financial statements determined according to the group's accounting policies, eliminating intercompany income and expenses, shareholdings, balances and dividends as well as realised and unrealised gains on transactions between the consolidated enterprises. Unrealised gains on transactions with associates are eliminated in proportion to the group's ownership share in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains in so far as no impairment has occurred.

Investments in subsidiaries are offset against the proportionate share of the subsidiaries' fair value of identifiable net assets and recognised contingent liabilities on the date of acquisition.

The items of the subsidiaries are recognised wholly in the consolidated financial statements.

Foreign currency translation

A functional currency is determined for each of the reporting companies in the group. The functional currency is the currency which is used in the primary financial environment in which the individual reporting company operates. Transactions in other currencies than the functional currency are foreign currency transactions.

On initial recognition, foreign currency transactions are translated into the functional currency using the exchange rate applicable at the transaction date. Exchange rate differences arising between the exchange rate applicable at the transaction date and the exchange rate applicable at the date of payment are recognised in the income statement under financial income or expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rate applicable at the balance sheet date.

The difference between the exchange rate applicable at the balance sheet date and the exchange rate applicable at the date at which the receivable or payable arose or the exchange rate applied in the latest annual report is recognised in the income statement under financial income or expenses.

On recognition in the consolidated financial statements of foreign enterprises with a functional currency which differs from Dantherm A/S's presentation currency, the income statements are translated using the exchange rate applicable at the transaction date, and the balance sheet items are translated using the exchange rate applicable at the balance sheet date. The average exchange rates for the individual months are used as the exchange rate applicable at the transaction date in so far as this does not alter the picture significantly. Exchange rate differences arising from the translation of the equity of foreign enterprises at the beginning of the year using the exchange rates applicable at the balance sheet date and the translation of income statements from the exchange rates applicable at the transaction date to the exchange rates applicable at the balance sheet date are recognised in other comprehensive income under a separate reserve for foreign currency translation adjustments.

Foreign currency translation adjustment of balances with foreign enterprises which are considered to be part of the total net investment in the enterprise concerned is recognised in other comprehensive income under a separate reserve for foreign currency translation adjustments.

Similarly, foreign exchange gains and losses are recognised in other comprehensive income under a separate reserve for foreign currency translation adjustments in the consolidated financial statements for the parts of loans and derivative financial instruments which have been raised for hedging the net investment in such enterprises and which effectively hedge against similar foreign exchange gains and losses on the net investment in the enterprises.

In the event of full or partial divestment of foreign units or in the event of repayment of balances which are considered to be part of the net investment, the share of the accumulated foreign currency translation adjustments which are recognised directly in other comprehensive income under a separate reserve for foreign currency translation adjustments and which may be attributable thereto, is recognised in the income statement along with any gains or losses resulting from the divestment.

Derivative financial instruments

Derivative financial instruments are recognised as from the transaction date and are measured at fair value in the balance sheet. The fair value of derivative financial instruments is included in other receivables under current assets (positive fair values) and other payables under current liabilities (negative fair values), respectively, and positive and negative values are only offset when the company is entitled to and intends to settle several financial instruments net. The fair value of financial instruments is calculated on the basis of current market data and generally accepted valuation methods.

Changes in the fair value of derivative financial instruments which are classified as and meet the conditions for hedging future cash flows and which effectively hedge changes in the value of the hedged item are recognised in equity under a separate reserve for hedging transactions. Once the hedged transaction is realised, the gain or loss from such hedging transaction is transferred from equity and recognised under the same item as the hedged item.

For derivative financial instruments that do not meet the conditions for treatment as hedging instruments, changes in the fair value are recognised continuously in the income statement under net financials.

Some contracts involve conditions which correspond to derivative financial instruments. Such incorporated financial instruments are recognised separately and are measured at fair value if they differ significantly from the contract in question unless the entire contract has been recognised and is measured at fair value on an ongoing basis.

INCOME STATEMENT

Revenue

Revenue from the sale of goods for resale and manufactured goods is recognised in the income statement, provided that the risk has passed to the buyer before the end of the year and provided that the income can be measured reliably and is expected to be received. Revenue concerning services, including the sale of service, is recognised according to invoicing at the time of the service visit. Revenue is measured at fair value excluding VAT and taxes levied on behalf of a third party less rebates and discounts. Generally, the Dantherm group does not accept return goods, so no provisions are made for return goods.

Other operating income

Other operating income comprises items of a secondary nature in relation to the company's primary activities, including proceeds from the disposal of assets related to divested activities.

Costs of raw materials and consumables
Costs of raw materials and consumables comprise costs incurred to generate revenue, with the exception of direct and indirect production wages, which are included in staff costs.

Other external expenses
Other external expenses comprise distribution, selling, advertising and administration expenses as well as costs of premises, bad debts etc. Other external expenses also comprise development costs that do not qualify for capitalisation.

Staff costs
Staff costs comprise wages and salaries as well as social security expenses, pensions etc.

Share of profit/loss after tax in associates
The proportionate share of the associates' profit/loss after tax and minority interests and after elimination of the proportionate share of intercompany gains and losses is recognised in the consolidated income statement.

Financial income and expenses
Financial income and expenses comprise interest, capital gains and losses as well as write-downs of securities, payables and foreign currency transactions, amortisation of financial assets and liabilities as well as allowances and compensation under the tax prepayment scheme etc. Financial income and expenses also comprise realised and unrealised gains and losses concerning derivative financial instruments which cannot be classified as hedging agreements.

Tax on profit/loss for the year
The company is covered by the Danish rules on compulsory joint taxation of the Dantherm group's Danish companies. Subsidiaries are included in the joint taxation from the time of their inclusion in the consolidation in the consolidated financial statements until the time of their withdrawal from the consolidation. The company is an administration company for the joint taxation, settling all payments of income tax with the tax authorities.

The current Danish income tax is allocated by settling joint taxation contributions between the jointly taxed companies in relation to their taxable income. Companies using taxable losses in other companies pay a joint taxation contribution to the parent corresponding to the tax value of the utilised losses, while companies whose tax losses are used by other companies receive a joint taxation contribution from the parent corresponding to the tax value of the utilised losses (full allocation).

Tax for the year which consists of the current income tax for the year, the joint taxation contribution for the year and changes in deferred tax – also as a result of a change in the tax rate – is included in the net profit/loss for the year or in other comprehensive income.

ASSETS
Intangible assets
Goodwill
On initial recognition, goodwill is recognised at cost in the balance sheet. Goodwill is subsequently measured at cost less accumulated write-downs. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the cash-generating units of the group at the date of acquisition. The determination of cash-generating units follows the management structure and internal financial management.

Development projects, patents and licenses
Clearly defined and identifiable development projects where the technical degree of utilisation, adequate resources and a potential future market or use in the company can be demonstrated, and where the intention is to produce, market or use the project, are recognised as intangible assets, provided that the cost can be calculated reliably and there is sufficient certainty that future earnings or the net selling price can cover the production, selling and development costs as well as administrative expenses. Other development costs are recognised in the income statement as incurred.

Recognised development costs are measured at cost less accumulated amortisation and impairment losses. Cost comprises salaries, amortisation and other costs attributable to the company's development activities.

Upon completion of the development work, development projects are amortised according to the straight-line method over their estimated useful lives. The amortisation period is 3-6 years. The basis of amortisation is also reduced by any impairment. Patents and licenses are measured at cost less accumulated amortisation and impairment losses.

Patents and licenses are amortised according to the straight-line method over the shorter of the remaining patent or contract period and useful life, the maximum being, however, six years. The basis of amortisation is reduced by any impairment losses.

Property, plant and equipment
Land and buildings, leasehold improvements, plant and machinery as well as other plant, fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price and costs directly related to the acquisition until the time when the asset is ready for use. For internally manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and wages and salaries.

The lease of assets, where the group obtains actual benefits and risks associated with the ownership of an asset, is activated as financially leased assets. The cost is calculated at the lower value of the assets' fair value and the present value of the future minimum lease payments. For calculating the present value, the internal rate of interest of the lease or an approximation of this value is used as the discount rate. The corresponding financial lease commitments are recognised under liabilities. Lease costs concerning operating leases are recognised continuously in the income statement over the lease period.

Subsequent costs relating to, e.g., the replacement of components of property, plant and equipment are included in the carrying amount of the asset concerned when it is probable that the incurrence will bring future financial benefits to the group. The carrying amount of the replaced components ceases upon recognition in the balance sheet and is transferred to the income statement. All other costs of ordinary repair work and maintenance are recognised in the income statement as incurred.

The cost of an overall asset is divided into separate components which are depreciated separately if the useful lives of the individual components differ.

Property, plant and equipment are depreciated according to the straight-line method over the assets' expected useful lives which are:

Building components	15-30 years
Leasehold improvements	5 years
Plant and machinery	3-8 years
Other plant, fixtures and fittings, tools and equipment	3-7 years

Land is not depreciated.

The basis of depreciation is determined taking into account the residual value of the asset and is reduced by any impairment. The residual value is determined at the date of acquisition and reassessed on an annual basis. If the residual value exceeds the carrying amount of the asset, depreciation ceases.

In the event that the depreciation period or the residual value is changed, the depreciation effect is recognised prospectively as a change in the accounting estimate.

Investments in associates
Investments in associates are measured in the consolidated financial statements according to the equity method whereby the investments are measured in the balance sheet at the proportionate share of the companies' equity value calculated according to the group's accounting policies less or plus the proportionate share of unrealised intercompany gains and losses plus the carrying amount of goodwill. Investments in associates are tested for impairment when there is an indication of impairment.

Investments in associates with a negative carrying amount are measured at DKK 0.

Any receivables from such enterprises are impaired to the extent that such receivables are irrecoverable. If the enterprise has a legal or constructive obligation to cover a deficit which exceeds the receivable, the remaining amount is recognised under provisions.

Loans that supplement the net investment are treated as part of the net investment. According to the equity method, the recognition of losses on such loans continues until the receivable has been written down to DKK 0.

Impairment of non-current assets
Goodwill and intangible assets with undefinable useful lives are tested at least once a year for impairment. Development projects in progress are also subject to an annual impairment test.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which goodwill has been allocated and is impaired to the recoverable amount in the income statement if the carrying amount is higher. The recoverable amount is usually calculated as the present value of the expected future cash flows from the company or activity (cash-generating unit) to which goodwill is attached.

Deferred tax assets are assessed on an annual basis and are only recognised to the extent that such assets are likely to be used.

The carrying amount of other non-current assets is assessed on an annual basis to establish whether there is any indication of impairment. If this is the case, the recoverable amount of the asset is calculated. The recoverable amount is the higher of the asset's fair value less the expected costs of disposal or value in use. The value in use is calculated as the present value of the expected future cash flows from the asset or the cash-generating unit of which the asset is a part.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement under the item to which the impairment relates.

Impairment of goodwill is not reversed. Impairment of other assets is reversed to the extent that there have been changes to the preconditions and estimates leading to the impairment. Impairment is only reversed to the extent that the new carrying amount of the asset does not exceed the carrying amount of the asset after amortisation had the asset not been impaired.

Inventories
Inventories are measured at cost in accordance with the FIFO method. If the net realisable value is lower than the cost, this is impaired to the lower value.

The cost of goods for resale and raw materials and auxiliary materials comprises the acquisition price plus delivery costs.

The cost of manufactured goods and work in progress comprises the cost of raw materials, auxiliary materials, direct labour costs and indirect production costs. Production overheads comprise indirect materials and wages and salaries as well as the maintenance and depreciation of the machinery, factory buildings and equipment used in the production process as well as factory management and management costs.

The net realisable value of inventories is calculated as the selling price less completion costs and costs incurred to make the sale and is fixed with due regard to negotiability, obsolescence and developments in the expected selling price.

Receivables
Receivables are measured at amortised cost. If there is an indication of impairment, provisions for bad debts are made. Write-downs are made on an individual basis.

Write-downs are calculated as the difference between the carrying amount and the present value of expected cash flows, including the realisable value of any security received. The effective interest rate is used as the discount rate for the individual receivable or portfolio.

The recognition of interest on receivables written down as income is calculated for the value written down using the effective interest rate on the individual receivable or portfolio.

Prepaid expenses
Prepaid expenses are measured at amortised cost.

EQUITY

Dividend
Proposed dividend is recognised as a liability at the time of adoption at the annual general meeting (the time of declaration). Expected dividend payable for the year is shown as a separate item under equity.

Treasury shares
Acquisition prices and consideration as well as dividend on treasury shares are recognised directly in retained earnings in equity. Proceeds from the sale of treasury shares and the issue of shares in Dantherm A/S in connection with the exercise of share options or employee shares are recognised directly in equity.

Reserve for hedging transactions
Reserve for hedging transactions includes the accumulated net change in the fair value of hedging transactions which meet the criteria for hedging future cash flows and where the hedged transaction has not yet been realised.

Reserve for foreign currency translation adjustment
Reserve for foreign currency translation adjustment in the consolidated financial statements comprises currency translation differences arising from the translation of financial statements of foreign companies from their functional currencies to the Dantherm group's presentation currency (Danish kroner). In the event of full or partial realisation of the net investment, the foreign currency translation adjustments are recognised in the income statement.

LIABILITIES

Pension obligations
The group has made pension agreements and similar agreements with the majority of the employees of the group.

Liabilities concerning defined-contribution plans are recognised in the income statement in the period in which they are earned, and payments due are recognised in the balance sheet under other payables.

Current tax and deferred tax
According to the joint taxation rules, Dantherm A/S, being an administration company, assumes liability for the subsidiaries' income taxes to the tax authorities as the subsidiaries pay their joint taxation contributions.

Current tax payable and receivable are recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax on the taxable income of previous years and for taxes paid on account. Joint taxation contributions payable and receivable are recognised in the balance sheet under balances with group enterprises.

Deferred tax is measured using the balance sheet liability method on the basis of all temporary differences between the carrying amount and tax base of assets and liabilities. However, no recognition is made of deferred tax on temporary differences concerning non-amortisable goodwill and office properties for tax purposes and other items where temporary differences – except for acquisitions – have occurred at the date of acquisition without influencing the results or the taxable income. In cases where the tax value can be calculated according to several taxation rules, the deferred tax is measured on the basis of the use of the asset or the discontinuation of the obligation planned by the management.

Deferred tax assets, including the tax value of tax losses allowed for carry-forward, are recognised under other non-current assets at the value at which they are expected to be used, either by balancing against tax on future earnings or by offsetting against deferred tax liabilities within the same legal tax unit and jurisdiction.

An adjustment is made of deferred tax concerning eliminations of unrealised intercompany gains and losses.

Deferred tax is measured on the basis of the tax rules and tax rates in the respective countries which will be applicable under the legislation in force at the balance sheet date when the deferred tax is expected to become current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Provisions

Provisions primarily comprise warranty commitments and restructuring obligations. Provisions are recognised when the group, following an event occurring before or on the balance sheet date, has a legal or constructive obligation, the settlement of which is likely to result in an outflow from the company of economic benefits and the size of the amount can be estimated reliably. In this context, the Dantherm group prepares an estimate based on the most likely outcome of the matter. In situations where the most likely outcome cannot be estimated reliably, such matters are recognised as a contingent liability.

Warranty commitments are recognised in step with the sale of goods and services on the basis of warranty costs incurred in previous financial years.

Restructuring costs are recognised as liabilities when a detailed, formal restructuring plan has been made available to the stakeholders affected by the plan no later than at the balance sheet date. A provision is recognised in respect of onerous contracts when the expected benefits of a contract for the group are smaller than the inevitable costs related to the contract (onerous contracts).

Financial liabilities

Payables to credit institutions etc. are recognised at the date of borrowing at the net proceeds less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, using the effective rate of interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement under financial costs over the term of the loan. Financial liabilities also include the capitalised remaining lease obligation in respect of finance leases measured at amortised cost. Other liabilities are measured at amortised cost.

Leases

Lease commitments are divided into finance and operating lease commitments. A lease is classified as a finance lease when it essentially transfers the risks and benefits of owning the leased asset. Other leases are classified as operating leases. The accounting treatment of assets held under finance leases and the related commitment are described in the sections on property, plant and equipment and financial liabilities, respectively. Lease payments relating to operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Deferred income

Deferred income is measured at amortised cost.

CASH FLOW STATEMENT

The cash flow statement shows the cash flows for the year divided into cash flows from operating activities, investing activities and financing activities for the year, changes in cash and cash equivalents for the year and cash and cash equivalents at the beginning and end of the year.

The effect on cash flow from the divestment of enterprises is recognised separately under cash flows from investing activities. Cash flows from enterprises divested are recognised in the cash flow statement until the date of divestment.

Cash flow from operating activities

Cash flows from operating activities are calculated according to the indirect method as the profit/loss before tax adjusted for non-cash operating items, changes in working capital, interest paid and income tax paid.

Cash flow from investing activities
Cash flows from investing activities comprise payments in connection with the divestment of enterprises and activities, the purchase and sale of intangible assets, property, plant and equipment and other non-current assets as well as the purchase and sale of securities not recognised as cash and cash equivalents.

Cash flow from financing activities
Cash flows from financing activities comprise changes to the size and composition of share capital and costs incidental thereto as well as the arrangement of loans, the repayment of interest-bearing debt, the purchase and sale of treasury shares and the payment of dividend to shareholders. Cash flows from assets held under finance leases are recognised as payment of interest and repayment of debt.

Cash and cash equivalents
Cash and cash equivalents comprise cash, short-term bank debt and securities with a term to maturity of less than three months which can easily be converted into cash and to which only an immaterial risk of value changes attaches.

SEGMENT INFORMATION

The segment information has been prepared in accordance with the accounting policies applied by the group and the internal management reporting.

Segment income, expenses, assets and liabilities comprise items which are directly attributable to the individual segment and items which can be reliably allocated to the individual segment. Items that are not allocated primarily comprise assets, liabilities, income and expenses relating to the group's administrative functions, investing activities, income tax etc.

KEY FIGURES

Earnings per share (EPS) and diluted earnings per share (EPS-D) are stated in accordance with IAS 33.

Other financial ratios have been calculated in accordance with "Recommendations and Financials Ratios 2010" published by the Danish Society of Financial Analysts.

Reference is also made to the ratio definitions on page 62.

KEY FIGURES AND RATIOS

KEY FIGURES

Working capital	Current assets - cash - trade payables and other payables - income tax payable - deferred income
Net interest-bearing debt	Long- and short-term debt to credit institutions - cash

FINANCIAL RATIOS

Growth rate	Change in revenue x 100 / Last year's revenue
Profit margin (EBIT %)	Operating profit/loss (EBIT) x 100 / Revenue
Invested capital including goodwill	Equity + minority interests + net interest-bearing debt - investments in associates - securities
Return on invested capital before tax (ROIC)	Operating profit/loss before amortisation of goodwill (EBITA) x 100 / Average invested capital including goodwill
Equity interest	Equity excl. minority interests at year-end x 100 / Total assets, year-end

SHARE-RELATED RATIOS

Earnings per share (EPS)	The group's share of the net profit/loss for the year / Average no. of outstanding shares
Diluted earnings per share (EPS-D)	The group's share of the net profit/loss for the year / Average no. of outstanding diluted shares
Cash flow per share (CFPS)	Cash flow from operating activities / Average no. of shares
Dividend per share	Proposed dividend to shareholders / Average no. of shares
Equity value at year-end	Equity excl. minority interests at year-end / No. of shares at year-end
Price/equity value at year-end	Share price at year-end / Equity value at year-end

The ratios have been prepared in accordance with the Danish Society of Financial Analysts'"Recommendations and Financial Ratios 2010" and IAS 33.

FINANCIAL STATEMENTS OF THE PARENT

INCOME STATEMENT

DKK '000	Note	2013	2012
Revenue	**2**	**5,501**	**15,599**
Other operating expenses and income		-818	1,310
Other external expenses	3	-4,657	-6,024
Staff costs	3	-6,376	-6,560
Profit/loss before depreciation, amortisation, impairment losses and write-downs (EBITDA)		**-6,350**	**4,325**
Depreciation, impairment losses and write-downs on property, plant and equipment	8, 9	-30	-119
Operating profit/loss (EBIT)		**-6,380**	**4,206**
Share of profit/loss after tax in associates		-18,527	0
Impairment of investments in subsidiaries	8	-10,000	0
Financial income	4	1,822	2,508
Financial expenses	5	-6,831	-3,441
Profit/loss before tax		**-39,916**	**3,273**
Tax on profit/loss for the year	6	-27	-206
NET PROFIT/LOSS FOR THE YEAR		**-39,943**	**3,067**
Proposed appropriation account			
Retained earnings		-39,943	3,067
		-39,943	**3,067**

STATEMENT OF COMPREHENSIVE INCOME

DKK '000	2013	2012
Net profit/loss for the year	-39,943	3,067
Total comprehensive income	**-39,943**	**3,067**

ASSETS

DKK '000	Note	31.12.13	31.12.12
Non-current assets			
Property, plant and equipment			
Other plant, fixtures and fittings, tools and equipment	7	0	30
Total property, plant and equipment		**0**	**30**
Other non-current assets			
Investments in subsidiaries	8	259,527	269,527
Investments in associates	8	0	50
Receivables from associates	9	0	16,656
Other non-current assets, total		**259,527**	**286,233**
Total non-current assets		**259,527**	**286,263**
Current assets			
Receivables	9	1,921	1,738
Income tax receivable		1,250	1,250
Prepayments		0	1,324
Total current assets		**3,171**	**4,312**
TOTAL ASSETS		262,698	290,575

EQUITY AND LIABILITIES

DKK '000	Note	31.12.13	31.12.12
Equity			
Share capital	10	71,906	71,906
Retained comprehensive income		89,579	129,522
Total equity		**161,485**	**201,428**
Current liabilities			
Credit institutions	11	81,224	68,286
Trade payables and other payables	12	19,989	20,861
Total current liabilities		**101,213**	**89,147**
Total liabilities		**101,213**	**89,147**
TOTAL EQUITY AND LIABILITIES		**262,698**	**290,575**
Contingent liabilities	13		
Contractual obligations	14		
Notes without reference	15, 16		

STATEMENT OF CHANGES IN EQUITY

DKK '000	Share capital	Retained comprehensive income	Total equity
Equity as at 1 January 2012	**71,906**	**126,455**	**198,361**
Comprehensive income 2012			
Net profit for the year	0	3,067	3,067
Total comprehensive income 2012	**0**	**3,067**	**3,067**
Equity as at 31 December 2012	**71,906**	**129,522**	**201,428**
Equity as at 1 January 2013	**71,906**	**129,522**	**201,428**
Comprehensive income 2013			
Net loss for the year	0	-39,943	-39,943
Total comprehensive income 2013	**0**	**-39,943**	**-39,943**
Equity as at 31 December 2013	**71,906**	**89,579**	**161,485**

CASH FLOW STATEMENT

DKK '000	Note	2013	2012
Profit/loss before tax		**-39,916**	**3,273**
Adjustment for non-cash operating items etc.:			
Depreciation, amortisation, impairment losses and write-downs		30	119
Share of profit/loss after tax in associates		18,527	0
Impairment of subsidiary		10,000	0
Other operating items, net		0	-1,310
Financial income		-1,822	-2,508
Financial expenses		6,831	3,441
Cash flow from primary operations before changes in working capital		**-6,350**	**3,015**
Change in receivables		1,138	-2,544
Change in trade payables etc.		-754	-3,504
Cash flow from primary operations		**-5,966**	**-3,033**
Interest income received		1	39
Interest expenses paid		-6,831	-3,441
Cash flow from ordinary operations		**-12,796**	**-6,435**
Income tax paid		-27	-206
Cash flow from operating activities		**-12,823**	**-6,641**
Purchase of financial assets		0	-50
Sale of financial assets		0	2,840
Financial loans		0	-5,067
Cash flow from investing activities		**0**	**-2,277**
Loan financing:			
Change in intercompany accounts with group enterprises		-115	8,776
Cash flow from financing activities		**-115**	**8,776**
Cash flow for the year		**-12,938**	**-142**
Cash and cash equivalents, beginning of year		-68,286	-68,144
Cash and cash equivalents, year-end		**-81,224**	**-68,286**
Cash, year-end, comprises:			
Short-term bank debt		-81,224	-68,286
Cash and cash equivalents, year-end		**-81,224**	**-68,286**

NOTES

1. ACCOUNTING ESTIMATES AND ASSESSMENTS

When calculating the carrying amount of certain assets and liabilities, an estimate is required of how future events will affect the value of such assets and liabilities at the balance sheet date. Estimates which are important to the financial reporting of the parent are, e.g., made when determining the need for write-downs of investments in subsidiaries.

A test for impairment of investments in subsidiaries is made if events or a change in circumstances indicate that the carrying amount is not recoverable.

The measurement of subsidiaries requires significant estimates in connection with the different assumptions, including expected future cash flows, discount rate and growth rates in the terminal period. The sensitivity to changes in the assumptions applied – collectively or individually – may be considerable.

The estimates applied are based on assumptions which the management deems reasonable, but which are naturally uncertain and unpredictable.

These assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. Moreover, the company is exposed to risks and uncertainties which may cause the actual results to deviate from these estimates.

The management estimates that the application of the parent's accounting policies does not entail any assessments in addition to estimates which may have a significant impact on the amounts recognised in the financial statements.

DKK '000	2013	2012
2. REVENUE		
Dividend received	0	10,000
Management fee	5,501	5,599
Total revenue	**5,501**	**15,599**
3. COSTS		
Fees for auditors appointed by the general meeting		
Audit	189	189
Tax and VAT consultancy services	42	86
Non-audit services	101	58
Total fees for auditors appointed by the general meeting	**332**	**333**
Staff costs		
Wages and salaries	6,198	6,272
Defined contribution plans	139	249
Other social security expenses	39	39
Total staff costs	**6,376**	**6,560**
Average number of employees	4	4
Remuneration of the Board of Directors and the Board of Executives		
The Board of Directors of the parent	1,538	1,388
The Board of Executives of the parent	3,762	2,288
Total remuneration for the Board of Directors and the Board of Executives	**5,300**	**3,676**

A description of the remuneration for the Board of Directors and the Board of Executives is given in note 4 of the consolidated financial statements.

DKK '000	2013	2012

4. FINANCIAL INCOME

Interest income from associates	1,822	2,469
Foreign exchange gains	0	39
Total financial income	**1,822**	**2,508**
Interest on financial assets measured at amortised cost amounts to	1,822	2,469

5. FINANCIAL EXPENSES

Interest expenses to group enterprises	787	529
Interest expenses and fees	5,995	2,905
Market value adjustments and losses on securities	49	7
Total financial expenses	**6,831**	**3,441**
Interest on financial liabilities measured at amortised cost amounts to	6,782	3,434

6. TAX

Current tax for the year comprises:		
Other taxes, including withholding tax	-27	-206
Total	**-27**	**-206**
Tax on profit/loss for the year comprises:		
Profit/loss before tax	-39,916	3,273
Tax rate	25%	25%
Calculated tax on profit/loss before tax	9,979	-818
Tax on non-taxable income	249	2,500
Tax losses which are not recognised	-10,228	-1,682
Other taxes	-27	-206
Total	**-27**	**-206**
Effective tax rate	0%	-6 %

DKK '000	31.12.13	31.12.12

7. PROPERTY, PLANT AND EQUIPMENT

Other plant, fixtures and fittings, tools and equipment		
Cost as at 1 January	1,275	1,275
Cost as at 31 December	**1,275**	**1,275**
Depreciation as at 1 January	1,245	1,126
Depreciation	30	119
Depreciation as at 31 December	**1,275**	**1,245**
Carrying amount as at 31 December	**0**	**30**

8. OTHER NON-CURRENT ASSETS

DKK '000	Investments in group enterprises	Investments in asso-ciates
Cost as at 1 January 2012	506,796	33,100
Additions	0	50
Cost as at 31 December 2012	**506,796**	**33,150**
Value adjustments as at 1 January 2012	-237,269	-33,100
Value adjustments as at 31 December 2012	**-237,269**	**-33,100**
Carrying amount as at 31 December 2012	**269,527**	**50**
Cost as at 1 January 2013	506,796	33,150
Additions relating to debt conversion	0	15,412
Cost as at 31 December 2013	**506,796**	**48,562**
Value adjustments as at 1 January 2013	-237,269	0
Impairment losses for the year	-10,000	-15,462
Value adjustments as at 31 December 2013	**-247,269**	**48,562**
Carrying amount as at 31 December 2013	**259,527**	**0**

Name	Domicile	Ownership share 2013	Ownership share 2012
Subsidiaries:			
Dantherm Air Handling Holding A/S	Skive, Denmark	100%	100%
ERO A/S (liquidated)	Skive, Denmark	0%	100%
Associates:			
Dantherm Power A/S	Hobro, Denmark	38.7%	43%

Accounting information relating to Dantherm Power appears from note 12 in the consolidated financial statements.

The carrying amount of investments in subsidiaries of the parent exceeds the valuation in the consolidated financial statements. As at 31 December 2013, the management performed a test of the carrying amount of investments for impairment. When performing the impairment test, the recoverable amount corresponding to the discounted value of expected future net cash flows was compared with the carrying amount. The recoverable amount is based on the value in use. Expected future net cash flows are based on the budget for 2014 approved by the management, the strategy plan for 2015-2017 and a terminal value. The discount rate used to calculate the recoverable amount amounted to approx. 13% before tax in 2012 and 2013 and reflects the risk-free interest rate plus market risks, among other things. In both 2012 and 2013, the impairment test was based on the approved strategy plan.

At the end of 2013, an impairment of DKK 10,000k was made to the recoverable amount. No impairment had been made at the end of 2012.

9. RECEIVABLES

DKK '000	31.12.13	31.12.12
Receivables from group enterprises	1,604	1,607
Loans to associates	0	16,656
Other receivables	317	131
Total receivables	**1,921**	**18,394**
Receivables falling due after 12 months comprise	0	16,656

Credit risks

The credit risks of the parent essentially concern receivables from subsidiaries, and the risk is therefore not hedged. No security has been furnished for receivables. The maximum credit risk amounts to DKK 1,921k (2012: DKK 18,263k).

10. EQUITY

Share capital	No. of shares 2013	2012	Nominal value (DKK '000) 2013	2012
1 January	7,190,574	7,190,574	71,906	71,906
31 December	**7,190,574**	**7,190,574**	**71,906**	**71,906**

The share capital comprises 7,190,574 shares with a nominal value of DKK 10 each. The shares are not divided into classes.

Treasury shares

	No. of shares 2013	2012	Nominal value (DKK '000) 2013	2012
1 January	80,526	80,526	4,026	4,026
31 December	**80,526**	**80,526**	**4,026**	**4,026**
Treasury shares' share of the share capital	**1.1%**	**1.1%**		

The share capital comprises 7,190,574 shares with a nominal value of DKK 10 each. The shares are not divided into classes.

The Board of Directors has been authorised by the general meeting to increase the company's share capital in one or more rounds by up to a nominal value of DKK 28,094,260, bringing the share capital to DKK 100,000,000 through the subscription of new shares at a price specified by the Board of Directors. The authorisation is valid until 10 April 2018.

Dantherm A/S has been authorised by the general meeting to let the company buy treasury shares up to a total nominal value of 10% of the share capital. The consideration paid must not deviate by more than 10% from the currently listed share price at the time of purchase. This authorisation is valid until the annual general meeting in 2016.

No treasury shares were traded in 2012 and 2013.

See note 15 in the consolidated financial statements for a description of the company's capital management.

DKK '000	31.12.13	31.12.12
11. PAYABLES TO CREDIT INSTITUTIONS		
Payables to credit institutions are recognised as follows:		
Short-term payables	81,224	68,286
Total payables to credit institutions	**81,224**	**68,286**

The parent's risk management policy

As a result of its operations, investments and financing, the parent is exposed to changes in interest rate levels. It is parent policy to identify and hedge all significant financial risks in an expedient way and not to engage in active speculation in financial risks.

Currency risks

The parent is not exposed to any currency risks in relation to loans as these are all arranged in DKK.

Interest rate risks

The parent's bank financing carries a floating interest rate. This involves a risk of interest payments being changed, both in the short and in the long term. The company regularly assesses the expediency of entering into agreements fully or partly hedging the interest rate risk.

All else being equal, an increase in interest rate levels of 1% per year in 2012 and 2013 on floating-rate loans relative to the interest rate level at the balance sheet date would have had a negative impact on the results and equity of approx. DKK 0.8m. Similarly, a fall in interest rate levels would have had a positive impact.

11. PAYABLES TO CREDIT INSTITUTIONS – CONTINUED

Liquidity risks

In connection with the raising of loans, it is parent policy to ensure the greatest possible flexibility through a spreading of the loans in terms of date of maturity/renegotiation and counterparties while taking pricing into account. The parent's cash reserve consists of unutilised credit facilities. The parent aims to have adequate cash resources to be able to continue to make expedient arrangements in case of unforeseen fluctuations in liquidity. In 2013, a strategic analysis was initiated with a view to assessing the possibility of strengthening the capital base, including the cash reserves.

The agreement with the primary credit institutions was renegotiated in February 2014. The parent is a party to this agreement, and the credit institutions have undertaken to extend the agreement until 31 March 2015. The agreement includes the usual covenants.

		Effective interest rate		Carrying amount	
Loan	**Fixed/floating**	**31.12.13**	**31.12.12**	**31.12.13**	**31.12.12**
DKK	Floating	4-7%	3-7%	81,224	68,286
Total				**81,224**	**68,286**

The loan is comprised by the group's agreement with its primary credit institutions. Reference is made to note 25 in the consolidated financial statements.

The carrying amount corresponds to the fair value of the loan.

At the end of 2013, the group had unutilised cash reserves of DKK 13m under the agreement by which the parent is comprised. At the end of 2012, the group had unutilised cash reserves of DKK 36m.

DKK '000	31.12.13	31.12.12
12. TRADE PAYABLES AND OTHER PAYABLES		
Payables to group enterprises	11,360	11,478
Trade payables	359	1,451
Other payables	8,270	7,932
Total trade payables and other payables	**19,989**	**20,861**

13. CONTINGENT LIABILITIES

The parent is jointly and severally liable with other group enterprises for the group's debt with the main banks which totals DKK 111,020k, including the company's own debt (2012: DKK 97,412k).

The parent has guaranteed the subsidiaries' balance with FIH which totals DKK 88,181k (2012: DKK 94,047k).

The parent is jointly taxed with the other Danish group enterprises. As the administration company, the parent has accepted joint and several unlimited liability for Danish income tax and withholding tax on dividend, interest and royalties within the jointly taxed enterprises. There is no income tax or withholding tax payable. Any subsequent corrections of the jointly taxable income or withholding tax may result in a change of the company's liability.

The parent is jointly and severally liable with the jointly registered group enterprises Dantherm Air Handling A/S and Dantherm Air Handling Holding A/S for the total VAT commitment of DKK 2,264k (2012: DKK 2,561k).

The shares in Dantherm Air Handling Holding A/S have been pledged with the group's banks.

An agreement has been concluded with a consultant who will only be paid if specific conditions are met. These conditions had not been met at the balance sheet date, and it is not possible to determine the size of the amount.

Usual guarantees relating to tax and environment have been furnished in connection with previous divested companies.

DKK '000	31.12.13	31.12.12

14. CONTRACTUAL OBLIGATIONS

Contractual obligations include leases of cars and premises.

Obligations in respect of lease and operating lease payments constitute:		
Next year	324	89
2-5 years	1,258	1,569
After 5 years	0	522
Total contractual obligations	**1,582**	**2,180**
Operating leases and leases recognised in the income statement	105	116

15. RELATED PARTIES

See note 26 in the consolidated financial statements for a description of related parties.

The parent's balances with group enterprises are stated in note 9 and note 12 and carry floating market interest rates.

Transactions with associates comprise only loans as can be seen from note 9.

Interest on balances with group enterprises is stated in note 4 and note 5.

A management fee of DKK 5,501k (2012: DKK 5,599k) has been invoiced to the subsidiaries.

The parent is jointly taxed with the other Danish group enterprises, which makes the company liable for Danish income tax and withholding tax on dividend, interest and royalties within the jointly taxed enterprises. See details in note 13.

16. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No significant events have occurred after the balance sheet date.

17. ACCOUNTING POLICIES

The financial statements of the parent are prepared in accordance with the requirements of the Danish Financial Statements Act for the preparation of separate financial statements of parents.

The 2013 financial statements of the parent are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

The accounting policies have been applied consistently with last year.

NEW ACCOUNTING REGULATION

Reference is made to note 28 in the consolidated financial statements. A new financial standard has been implemented to the extent relevant for the parent.

DESCRIPTION OF ACCOUNTING POLICIES

The accounting policies applied by the parent (see note 28 in the consolidated financial statements) deviate from those applied in the consolidated financial statements in the following respects:

REVENUE

Allocation of profit from investments in subsidiaries and associates is recognised in the income statement of the parent in the financial year in which the dividend is declared. If the allocated amount exceeds the comprehensive income of the subsidiaries or associates for the period, an impairment test is carried out.

Furthermore, interest income from any equity-like loans granted to subsidiaries is included in revenue by the amount concerning the financial year. Revenue also includes management fees collected from the subsidiaries of the parent.

TAX ON PROFIT/LOSS FOR THE YEAR

The company is covered by the Danish rules on compulsory joint taxation of the Dantherm group's Danish companies. Subsidiaries are included in the joint taxation from the time of their inclusion in the consolidation in the consolidated financial statements until the time of their withdrawal from the consolidation. The company is an administration company for the joint taxation, settling all payments of income tax with the tax authorities.

The current Danish income tax is allocated by settling joint taxation contributions between the jointly taxed companies in relation to their taxable income. Companies using taxable losses in other companies pay a joint taxation contribution to the parent corresponding to the tax value of the utilised losses, while companies whose tax losses are used by other companies receive a joint taxation contribution from the parent corresponding to the tax value of the utilised losses (full allocation).

Tax for the year, which consists of the current income tax for the year, the joint taxation contribution for the year and changes in deferred tax – also as a result of a change in the tax rate – is recognised in the income statement with the portion attributable to the net profit/loss for the year and directly in equity with the portion attributable to amounts recognised directly in equity.

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associates are measured at cost. If there are any indications of impairment, an impairment test is carried out as described in the consolidated financial statements. Where the cost exceeds the recoverable amount, impairment is made to this lower amount.

Allocation of reserves other than accumulated earnings from subsidiaries and associates reduces the cost price of investments when the payment is in the nature of repayment of a parent investment.

RECEIVABLES

Receivables are measured at amortised cost. If there is an indication of impairment, provisions for bad debts are made. Write-downs are made on an individual basis.

Write-downs are calculated as the difference between the carrying amount and the present value of expected cash flows, including the realisable value of any security received. The effective interest rate is used as the discount rate for the individual receivable or portfolio.

The recognition of interest on receivables written down as income is calculated for the value written down using the effective interest rate on the individual receivable or portfolio.

Dantherm
CONTROL YOUR CLIMATE

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DANTHERM A/S
Marienlystvej 65
7800 Skive
Denmark

Tel. +45 99 14 90 00
CVR no. 30 21 43 15
www.dantherm.dk

DANTHERM AIR HANDLING A/S
Marienlystvej 65
7800 Skive
Denmark

Tel. +45 96 14 37 00

DANTHERM AB
Virkesgatan 5
614 31 Söderköping
Sweden

Tel. +46 12 11 30 40

DANTHERM AS
Løkkesåsveien 26
3138 Skallestad
Norway

Tel. +47 33 35 16 00

DANTHERM GMBH
Martinistrasse 20C
86179 Augsburg
Germany

Tel. +49 821 81 55 76 55

DANTHERM LTD.
12 Windmill Business Park
Windmill Road, Clevedon
North Somerset BS21 6SR
UK

Tel. +44 12 75 87 68 51

DANTHERM RUSSIA
c/o Dansk Industri
4th Dobryninskiy Lane 8
Office C 11-01
119049 Moscow
Russia

Tel. +7 90 37 00 69 01

DANTHERM AIR HANDLING (SUZHOU) CO., LTD.
Bldg#9, No.855 Zhu Jiang Rd.,
Suzhou New District, Jiangsu
215219 Suzhou
China

Tel. +86 512 66 67 85 00

DANTHERM INC.
110 Corporate Drive, Suite K
Spartanburg
SC 29303 4260
USA

Tel. ++1 86 45 95 98 00

DANTHERM MEXICO
c/o 110 Corporate Drive, Suite K
Spartanburg
SC 29303 4260
USA

Tel. +52 1 55 54 04 75 68

DANTHERM POWER A/S
Majsmarken1
9500 Hobro
Denmark

Tel. +45 88 43 55 00
www.dantherm-power.com