
GEA PROCESS ENGINEERING A/S

Gladsaxevej 305, DK-2860 Søborg

Annual Report for 1 January - 31 December 2019

CVR No 10 05 07 15

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
19/8 2020

Anders Ørjan Jensen
Chairman of the General
Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of GEA PROCESS ENGINEERING A/S for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January 31 December 2019.

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

We recommend that the Annual Report be adopted at the Annual General Meeting.

Søborg, 11 August 2020

Executive Board

Ib René Vinther Elgaard
CEO

Morten Unn Hansen

Ulla Michelsen

Board of Directors

Ilija Aprcovic
Chairman

Matthias Decker

Ulla Michelsen

Jan Børge Friis
Staff Representative

Jan Kjærsgaard Hansen
Staff Representative

Independent Auditor's Report

To the Shareholder of GEA PROCESS ENGINEERING A/S

We have audited the Financial Statements of GEA PROCESS ENGINEERING A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

Independent Auditor's Report

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Independent Auditor's Report

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Copenhagen, 11 August 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

David Olafsson
State Authorized Public Accountant
mne19737

Kenn W. Hansen
State Authorized Public Accountant
mne30154

Company Information

The Company

GEA PROCESS ENGINEERING A/S
Gladsaxevej 305
DK-2860 Søborg

Telephone: + 45 39545454

CVR No: 10 05 07 15

Financial period: 1 January - 31 December

Municipality of reg. office: Gladsaxe

Board of Directors

Ilija Aprcovic, Chairman
Matthias Decker
Ulla Michelsen
Jan Børge Friis
Jan Kjærsgaard Hansen

Executive Board

Ib René Vinther Elgaard
Morten Unn Hansen
Ulla Michelsen

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Bankers

Danske Bank
Holmens Kanal 2
1090 København K

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2019	2018	2017	2016	2015
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Revenue	2.101	2.281	2.105	1.709	1.666
Profit/loss before financial income and expenses	102	326	270	152	147
Net financials	-42	-10	73	35	-28
Net profit/loss for the year	21	237	256	158	85
Balance sheet					
Balance sheet total	2.593	2.644	2.771	2.551	1.923
Equity	964	1.019	826	710	603
Investment in property, plant and equipment	7	13	25	6	7
Number of employees	772	717	686	645	671
Ratios					
Profit margin	4,9%	14,3%	12,8%	8,9%	8,8%
Return on assets	3,9%	12,3%	9,7%	6,0%	7,6%
Solvency ratio	37,2%	38,5%	29,8%	27,8%	31,4%
Return on equity	2,1%	25,7%	33,3%	24,1%	13,5%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

As in previous years the core activity of the company has been engineering and supply of industrial processing plants.

Development in the year

The net result of the year is a profit of DKK 21 million compared to a profit of DKK 237 million in 2018.

Management considers the result of the year satisfactory although lower than 2018 and below management's expectations. The result for 2019 is impacted by higher production costs and impairments on shares in subsidiaries. During 2019 the company has succeeded in maintaining a strong market position.

Subsequent events

The Company's outlook for the future can be negatively affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak. However in the first half year of 2020 the key industries and markets where the company is present have not been considerably weakened. See also subsequent event disclosure in note 22.

Special risks - operating risks and financial risks

Operating risks

The company's principal operational risk is related to the ability of being strongly positioned in the important markets. Furthermore it is important for the company to be at the cutting edge of the development within process engineering, including having the possibility to attract and keep employees with qualifications and experience facilitating this objective.

Financial risks

Because of the financial position of the company and its financial resources, the company is only exposed to changes in the interest level to a limited extent. The company is, however, exposed to currency risks related to the current operation. The company primarily covers its currency risks by forward contracts. The development in cash flow from operation activities has been positive in the financial period and the expectations for the cash flow from operating activities in the near future are also positive.

Credit risks

The credit risks of the company are primarily related to accounts receivable in the balance sheet. The company has no major risks regarding single engagements. The company's policy when accepting credit risks means that all larger customers and partners are subject to current credit rating.

Management's Review

Knowledge resources

The ability of the company to attract and retain highly educated employees is essential to its continuous growth, including engineers with expertise in process development and automation. To ensure continuous competitive products the company is investing in the most modern process tools and research environments. This demands high skills, and substantial resources are thus also invested to develop the competences of the employees.

Targets and expectations for the year ahead

The expectations for 2020 are positive. Although management foresees continued intense competition.

Research and development

The company is continuously engaged in adaptation and improvement of its plants and processes as well as in new developments. The costs of research and development are recognized in the profit and loss statement, unless development cost meets the requirements for recognition in the balance sheet. The research and development costs in the profit and loss amounted to DKK 73,0 million in 2019 (DKK 60,2 million in 2018). Capitalized development projects amounted to DKK 49,2 million in 2019.

Statement of corporate social responsibility

The company is a 100% owned subsidiary of GEA Group Holding GmbH, Germany, which is 100% owned by GEA Group Aktiengesellschaft, Germany. The ultimate parent of the company includes business model, in addition to policy, actions, results and risks to each of the mandatory areas under 99a of the Danish Financial Statements Act. Therefore, we refer to the Group's annual report 2019, which can be found here:

<https://www.gea.com/en/investor-relations/releases-reports/annual-reports/index.jsp>

The below presents an overview of the implemented local CSR initiatives within the company and how we live up to the Group's expectations and commitments. Risks and how are they managed are reported on Group level.

Climate and environment

The company affects the environment via processing equipment and plants for industrial use delivered to customers. Thus, minimizing the environmental impact of the company is best achieved through its customers by delivering optimized solutions.

Focus is on reduction of energy consumption as well as in development of new energy efficient technologies. Among other things, this has resulted in accelerated development of our advanced automatic control system, OPTIPARTNER(TM). This focus is not only aimed at operational optimization of the drying process, but has now also been expanded to cover upstream equipment. This contributes to reduction of the energy consumption. Most dairy and food powder products possess a maximum allowed moisture content, which – if exceeded – will reduce the shelf life of the powder. Furthermore, the conditions of the inlet air for a process plant will have considerable influence on the drying of the product. This automatic control system can continuously keep the water content of the produced powder

Management's Review

stable, so that over-drying of powder can be avoided at the same time as saving energy. When performing in-line measurements of moisture content in the drying air, the system can optimize the capacity of the industrial plant, whereby the energy content of the drying air will be optimally utilized. In areas with great variations in air humidity, the automatic control system may yield significant energy savings, when measuring energy consumption per kg powder produced. During 2019 the development of the system to optimize operation and energy consumption in processing step prior to the drying was being finalized.

In 2017 the company initiated a multimillion DKK development project to vastly reduce the energy consumption of drying plants offered to customers. This project continued throughout 2019 and a prototype plant has successfully been commissioned at the company's Søborg Test Centre. The principle behind the project is the introduction of heat pumps into the drying plants. The prototype has proven that in industrial scale installations this will allow for recovery of huge amounts of energy which are otherwise emitted to the surroundings. This new, innovative solution is now ready for sale.

Moreover, the company has supplied energy monitoring of a number of process plants commissioned. In general, we experience increased interest from our customers regarding reduced energy consumption and less environmental impact. Consequently, we now upon request conduct so-called PINCH analysis on clients processing plants. A PINCH analysis is a methodology for minimizing energy consumption of processing plants by calculating thermodynamically feasible energy targets (or minimum energy consumption) and achieving them by optimizing heat recovery systems, energy supply methods and process operating conditions. The Company is currently involved in a PhD-project with the Technical University of Denmark to improve the PINCH analysis methodology.

2019 also saw the commissioning of the very first SANICIP II(TM) filter. This filter is fitted to the particle laden air exhaust of a drying plant. This filter diminishes the particle load in the exhaust air so that it is far below the minimum level set by legislation in all countries. A further advantage of the SANICIP II(TM) is that it needs a significantly lower the amounts of energy to run its cleaning cycle compared to earlier versions.

Employees

The number of employees grew slightly in 2019 although we experienced a slowdown in new hires from May and forward. The reason was the planning of the global restructuring of the GEA organization (named CREATE). The new matrix organization was effective 1 January 2020. The transition process which has taken place through 2019 required a special focus on wellbeing, occupational health and safety and job satisfaction because the organizational change had a significant impact on the way our managers and employees are to work in the future and therefor a lot has been demanded of the GEA employees in terms of flexibility, commitment and loyalty to the company.

GEA continued - in cooperation with our Health and Safety organization - the focus on the psychological work environment to ensure a good transition to our new organization.

GEA also carried out a smaller employee engagement survey in December 2019 with a follow-up in the beginning of 2020 and planned again in November 2020 to focus on the effect of the new organization.

Management's Review

Suppliers and human rights

The company has assessed that the biggest exposure regarding human rights is within the supplier area. This area is separately treated in the GEA Compliance Handbook.

Local and international regulations on conditions of employment, working hours and health and safety conditions are observed in order to comply with the high standard stated in the internal GEA Compliance Handbook. The Compliance Handbook specifically states that discrimination of employees by virtue of sex, sexual orientation, origin, color of skin, or other personal features are strictly forbidden.

Our purchase organization is responsible for vendor management and procures workshop components, third party equipment and services for customer projects and after sales business. Workshop components are manufactured based on our drawings and specifications in external workshops in and outside Denmark. Third party services are purchased in accordance with framework supplier agreements or on a case-by-case basis depending on the characteristics of the supplier or product market.

The purchasing staff are all well-trained in 'good purchasing practice' and the legal aspects of purchasing. Every purchaser has taken an on-line test in anti-corruption and export control organized by GEA Group Compliance Management.

The procedures on external workshop audits include evaluation of working conditions, maintenance of production facilities, cleaning, training of workshop staff and safety measures at the workshop.

This has positively contributed to no registered breaches on our internal procedures or any severe noncompliance of our suppliers in 2019.

We expect to maintain our focus in this area in the future.

Equal opportunities

Looking at the total management group below Executive Management the gender composition is 11% women and 89% men. GEA is aware of the gender gap and we are working on the general gender composition and we have a long-term perspective to secure the availability of a group of qualified female employees who at a later stage can take a management role. Within GEA global there are several different talent programs and in those there are also an awareness about the gender composition. More women choose the traditional engineering educations, which are needed in our business which makes GEA more optimistic about the future potential candidates for our vacant (managerial) positions. We have a strong focus on recruiting candidates from both genders when we have open positions. We demand that our external recruitment companies must recruit at least one female candidate for a job interview. We are continuously making awareness in the management group of this gender issue.

At the beginning of the year 2019 the gender composition of the company showed 24% women and 76% men. At the end of the year 2019 the level of women was unchanged. Our goal was to reach a gender composition in 2019 of 25% women and 75% men, which we have almost reached.

The Board of Directors of GEA Process Engineering A/S has three members selected by the Annual

Management's Review

General Meeting, one of which is female and two of which are men. In accordance with the requirements under § 99 b of the Danish Financial Statements Act, GEA Process Engineering A/S therefore considers the board to be gender balanced and has not set any further targets with regards to the gender balance of the Board of Directors.

Representative offices

The company has a representative office in:
Dubai, United Arab Emirates,
Riydah, Saudi Arabia.

Consolidated annual report

The company is a 100% owned subsidiary of GEA Group Holding GmbH, Germany, which is 100% owned by GEA Group Aktiengesellschaft, Germany.

The annual reports of the company and its subsidiaries are included in the audited consolidated annual report of GEA Group Aktiengesellschaft, Germany, which is the ultimate parent company of GEA Process Engineering A/S.

The above consolidated annual report can be obtained from GEA Process Engineering A/S, or can be downloaded from GEA Aktiengesellschaft's homepage (investor relations):

<https://www.gea.com/en/investor-relations/releases-reports/annual-reports/index.jsp>

Income Statement 1 January - 31 December

	Note	2019 DKK	2018 DKK
Revenue	1	2.101.381.745	2.280.688.836
Production cost	2,5	<u>-1.571.368.411</u>	<u>-1.610.972.102</u>
Gross profit/loss		530.013.334	669.716.734
Sales- and distribution costs	3,5	-186.722.128	-144.149.968
Administrative expenses	4,5	<u>-240.960.124</u>	<u>-200.045.063</u>
Operating profit/loss		102.331.082	325.521.703
Income from investments in subsidiaries	6	-41.081.796	6.913.179
Financial income	7	7.562.174	1.810.613
Financial expenses	8	<u>-8.342.569</u>	<u>-18.355.165</u>
Profit before tax		60.468.891	315.890.330
Tax on profit for the year	9	<u>-39.951.320</u>	<u>-78.445.928</u>
Net profit/loss for the year		<u>20.517.571</u>	<u>237.444.402</u>

Balance Sheet 31 December 2019

Assets

	Note	2019 DKK	2018 DKK
Completed development projects		73.488.652	105.292.105
Acquired intangible assets		30.068.765	27.899.724
Goodwill		17.637.684	22.493.310
Development projects in progress		87.364.410	55.659.344
Intangible assets	11	208.559.511	211.344.483
Plant and machinery		5.024.995	6.638.685
Other fixtures and fittings, tools and equipment		1.342.493	1.009.595
Leasehold improvements		72.067.999	40.375.344
Property, plant and equipment in progress		3.771.450	38.753.689
Property, plant and equipment	12	82.206.937	86.777.313
Investments in subsidiaries	13	1.005.923.667	849.013.566
Deposits	14	8.062.270	8.062.270
Investments		1.013.985.937	857.075.836
Fixed assets		1.304.752.385	1.155.197.632
Raw materials and consumables		109.929.937	79.898.669
Inventories		109.929.937	79.898.669
Trade receivables		207.715.475	99.721.311
Contract work in progress	15	400.095.513	565.095.548
Receivables from group enterprises		418.804.434	561.801.917
Other receivables		80.147.547	112.405.525
Prepayments	16	57.804.435	53.910.335
Receivables		1.164.567.404	1.392.934.636
Cash at bank and in hand		13.559.948	16.383.624
Currents assets		1.288.057.289	1.489.216.929
Assets		2.592.809.674	2.644.414.561

Balance Sheet 31 December

Liabilities and equity

	Note	2019 DKK	2018 DKK
Share capital		100.000.000	100.000.000
Reserve for development costs		111.068.131	96.501.772
Retained earnings		753.407.967	822.129.754
Equity	17	964.476.098	1.018.631.526
Provision for deferred tax	18	240.497.544	295.196.226
Warranty and other provisions	19	39.752.771	17.633.553
Total provisions		280.250.315	312.829.779
Trade payables		252.117.034	292.726.670
Contract work in progress, liabilities	15	511.232.608	377.094.454
Payables to group enterprises		377.251.706	464.429.354
Corporation tax		65.297.826	12.755.312
Other payables		142.184.087	165.947.466
Short-term liabilities other than provisions		1.348.083.261	1.312.953.256
Debt		1.348.083.261	1.312.953.256
Liabilities and equity		2.592.809.674	2.644.414.561
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	20		
Related parties	21		
Subsequent events	22		
Accounting Policies	23		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January 2019	100.000.000	96.501.773	822.129.754	1.018.631.527
Extraordinary dividend paid	0	0	-74.673.000	-74.673.000
Development costs for the year	0	38.364.385	-38.364.385	0
Depreciation, amortisation and impairment for the year	0	-23.798.027	23.798.027	0
Net profit/loss for the year	0	0	20.517.571	20.517.571
Equity at 31 December 2019	100.000.000	111.068.131	753.407.967	964.476.098
Equity 1. januar 2018	100.000.000	79.697.955	646.570.221	826.268.176
Extraordinary dividend paid	0	0	-44.669.400	-44.669.400
Fair value adjustment of hedging instruments, beginning of year	0	0	-56.793	-56.793
Fair value adjustment of hedging instruments	0	0	-454.949	-454.949
Tax on adjustment of hedging instruments	0	0	100.090	100.090
Development costs for the year	0	42.885.454	-42.885.454	0
Depreciation, amortisation and impairment for the year	0	-26.081.637	26.081.637	0
Net profit/loss for the year	0	0	237.444.402	237.444.402
Equity at 31 December 2018	100.000.000	96.501.772	822.129.754	1.018.631.526

Notes to the Financial Statements

	2019 DKK	2018 DKK
1 Revenue		
Geographical segments		
Revenue, Denmark	137.337.941	77.661.546
Revenue, exports	1.964.043.804	2.203.027.290
	2.101.381.745	2.280.688.836
Business segments		
Denmark		
Project	56.689.869	12.434.758
Component	39.225.804	15.883.550
Service	41.422.268	49.343.239
	137.337.941	77.661.547
Export		
Project	1.679.682.788	1.987.706.348
Component	21.275.911	417.577
Service	263.085.105	214.903.364
	1.964.043.804	2.203.027.289
	2.101.381.745	2.280.688.836
2 Production cost		
Cost of goods sold	1.334.792.556	1.387.629.508
Wages and salaries	236.575.855	223.342.594
	1.571.368.411	1.610.972.102
3 Sales- and distribution costs		
Wages and salaries	190.263.543	150.820.234
Depreciation and amortisation	38.886.991	31.149.370
Other expenses	38.708.549	54.314.572
Charged to group companies	-81.136.955	-92.134.208
	186.722.128	144.149.968

Notes to the Financial Statements

	2019 DKK	2018 DKK
4 Administrative expenses		
Wages and salaries	161.465.303	154.632.233
Depreciation and amortisation	34.597.789	31.937.947
Other expenses	47.509.488	86.539.882
Charged to group companies	-2.612.456	-73.064.999
	240.960.124	200.045.063
5 Staff		
Wages and Salaries	536.496.617	480.490.222
Pensions	46.796.880	43.997.697
Other social security expenses	5.011.204	4.307.133
	588.304.701	528.795.052
Including remuneration to the Executive Board and Board of Directors:		
Executive Board	5.137.170	4.100.585
Board of Directors	100.000	100.000
	5.237.170	4.200.585
Average number of employees	772	717
6 Income from investments in subsidiaries		
Reversal of impairment in subsidiaries	5.192.647	0
Impairment of investment in subsidiaries	-47.619.457	-10.605.283
Dividend	1.345.014	17.518.462
	-41.081.796	6.913.179

Notes to the Financial Statements

	2019 DKK	2018 DKK
7 Financial income		
Interest received from group enterprises	990.780	708.872
Exchange adjustments	6.480.254	0
Other financial income	91.140	1.101.741
	7.562.174	1.810.613
8 Financial expenses		
Interest paid to group enterprises	6.863.199	6.697.485
Other financial expenses	1.479.370	2.170.325
Exchange adjustments, expenses	0	9.487.355
	8.342.569	18.355.165
9 Tax on profit for the year		
Current tax for the year	75.235.552	10.724.811
Deferred tax for the year	-48.457.684	57.524.933
Adjustment of tax concerning previous years	0	-3.176.128
Adjustment of deferred tax concerning previous years	-6.240.998	0
Other taxes	19.414.450	13.372.312
	39.951.320	78.445.928
10 Distribution of profit		
Extraordinary dividend paid	74.673.000	44.669.400
Retained earnings	-54.155.429	192.775.002
	20.517.571	237.444.402
Extraordinary dividend after year end	0	74.673.000

Notes to the Financial Statements

11 Intangible assets

	Completed development projects	Acquired intangible assets	Goodwill	Development projects in progress
	DKK	DKK	DKK	DKK
Cost at 1 January 2019	236.502.944	43.488.333	81.224.562	55.659.344
Additions for the year	0	9.751.453	0	49.185.109
Transfers for the year	23.143.944	-5.663.900	0	-17.480.043
Cost at 31 December 2019	259.646.888	47.575.886	81.224.562	87.364.410
Impairment losses and amortisation at 1 January 2019	131.210.839	15.588.608	58.731.252	0
Amortisation for the year	54.947.397	1.918.513	4.855.626	0
Impairment losses and amortisation at 31 December 2019	186.158.236	17.507.121	63.586.878	0
Carrying amount at 31 December 2019	73.488.652	30.068.765	17.637.684	87.364.410

Notes to the Financial Statements

12 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	DKK	DKK	DKK	DKK
Cost at 1 January 2019	84.756.250	11.852.363	82.849.383	38.753.689
Additions for the year	322.914	595.522	0	6.271.532
Disposals for the year	-1.672.003	0	0	0
Transfers for the year	498.034	143.505	40.612.232	-41.253.771
Cost at 31 December 2019	83.905.195	12.591.390	123.461.615	3.771.450
Impairment losses and depreciation at 1 January 2019	78.117.565	10.842.767	42.474.039	0
Depreciation for the year	2.434.638	406.130	8.919.577	0
Impairment and depreciation of sold assets for the year	-1.672.003	0	0	0
Impairment losses and depreciation at 31 December 2019	78.880.200	11.248.897	51.393.616	0
Carrying amount at 31 December 2019	5.024.995	1.342.493	72.067.999	3.771.450

Notes to the Financial Statements

	2019 DKK	2018 DKK
13 Investments in subsidiaries		
Cost at 1 January 2019	1.011.140.366	1.011.140.366
Additions for the year	199.336.911	0
Cost at 31 December 2019	1.210.477.277	1.011.140.366
Value adjustments at 1 January 2019	-162.126.800	-151.521.517
Impairment for the year	-47.619.457	-10.605.283
Reversals of impairment	5.192.647	0
Value adjustments at 31 December 2019	-204.553.610	-162.126.800
Carrying amount at 31 December 2019	1.005.923.667	849.013.566

The company has calculated the recoverable amount for the individual subsidiaries and compared these to the carrying amount of these. The recoverable amount derived in connection with the impairment tests is calculated on basis of net cash flow in the individual subsidiary over a period of several years and a growth rate of 2 %.

The Weighted Average Cost of Capital (WACC) is based on an factor of 7,29 %, which is the estimated average within the business areas in which the subsidiaries operate. Further, a local risk factor is added based on individual market and geographical risks in the countries where the subsidiaries operate.

Based on the above assumptions the impairment test indicates impairment of financial fixed assets totaling to DKK 47,6 million, and reversal of impairment totaling DKK 5,2 million. The impairment concerns the companies GEA Process Engineering de Mexico S.A. de C.V. and GEA Process Engineering (India) Ltd. where the financial outlooks for the subsidiaries have decreased the estimated recoverable amounts.

The reversal of impairment concerns the subsidiary GEA Process Engineering OY where an improvement in market conditions and financial outlook for the subsidiary has increased the estimated recoverable amount.

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
GEA Westfalia Separator A/S	Denmark	100%	45.766.852	4.106.288
GEA Scan Vibro A/S	Denmark	100%	33.284.983	-6.682.050
GEA Process Engineering OY	Finland	100%	8.141.973	-2.695.218
GEA Pharma Systems AG	Schweiz	100%	96.127.569	-1.022.839
GEA Process Engineering Australia Pty. Ltd.	Australia	100%	118.461.972	1.485.730
GEA Engenharia e Processos Industriais Ltda.	Brazil	100%	143.171.740	40.786.638
GEA Process Engineering Ltd.	Japan	100%	41.695.865	9.840.159
GEA Process Engineering (NZ) Limited	New Zealand	100%	283.206.206	27.512.129
GEA Process Engineering (S.E.A.) Pte Ltd.	Singapore	100%	45.647.337	-21.837.986
GEA Process Engineering (India) Limited	India	100%	119.724.352	-77.877.617

Notes to the Financial Statements

13 Investments in subsidiaries (continued)

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
GEA Folyamattervező Kft.	Hungary	100%	0	0
GEA Process Techonology Warsaw Sp.z.o.o	Poland	100%	-35.017.954	-6.286.000
GEA Pharma Systems N.V.	Belgium	100%	352.696.825	6.555.129
GEA Process Engineering	Chile	99,99%	14.196.432	-5.338.493
GEA Tuchenhausen Mak. Mük. Tic. Ltd. Sti.	Turkey	99,98%	612.515	1.933.688
GEA Process Engineering de México S.A. de C.V.	Mexico	100%	77.759.577	373.299
GEA Westfalia Separator K.K.	Japan	100%	29.480.289	2.605.063
			<u>1.374.956.533</u>	<u>-26.542.080</u>

14 Deposits

	Deposits DKK
Cost at 1 January 2019	<u>8.062.270</u>
Cost at 31 December 2019	<u>8.062.270</u>
Carrying amount at 31 December 2019	<u>8.062.270</u>

Notes to the Financial Statements

	2019 DKK	2018 DKK
15 Contract work in progress		
Selling price of work in progress	4.436.027.987	4.570.253.519
Payments received on account	-4.547.165.082	-4.382.252.425
	-111.137.095	188.001.094
Recognised in the balance sheet as follows:		
Contract work in progress for affiliated companies	231.033.020	350.007.471
Contract work in progress for third parties	169.062.493	215.088.077
Total work in progress	400.095.513	565.095.548
Advance payments from affiliated companies	-342.638.898	-242.996.750
Advance payments from third parties	-168.593.710	-134.097.704
Total advance payments	-511.232.608	-377.094.454
Total	-111.137.095	188.001.094

16 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

17 Equity

The share capital consists of 2 shares of a nominal value of DKK 50,000,000. No shares carry any special rights.

Notes to the Financial Statements

	2019 DKK	2018 DKK
18 Provision for deferred tax		
Provision for deferred tax at 1 January	295.196.226	237.771.382
Amounts recognised in the income statement for the year	-48.457.684	57.524.933
Adjustment of deferred tax (concerning previous years, equity adj. etc.)	-6.240.998	-100.089
Provision for deferred tax at 31 December	240.497.544	295.196.226
Intangible assets	43.089.098	44.477.307
Tangible assets	619.618	599.124
Contract work in progress	201.149.379	256.294.600
Provisions and debt	-4.360.551	-6.174.805
	240.497.544	295.196.226
19 Warranty and other provisions		
Warranty and guarantee provisions	29.195.041	17.633.553
Other provisions	10.557.730	0
	39.752.771	17.633.553
20 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	24.289.249	29.466.087
Between 1 and 5 years	80.432.573	95.194.770
After 5 years	19.199.682	54.966.910
	123.921.504	179.627.767

Notes to the Financial Statements

	2019 DKK	2018 DKK
20 Contingent assets, liabilities and other financial obligations (continued)		
Guarantee obligations		
Warranties and guarantee obligations issued by GEA concerning execution of contractual work etc. for third party.	163.416	163.416
Bank guarantees have been given to third parties concerning execution of contractual work etc. for third party.	306.166.122	452.567.108

Joint taxation

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the GEA Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

21 Related parties

	Basis
Controlling interest	
GEA Group Holding GmbH, Germany	100%

Notes to the Financial Statements

21 Related parties (continued)

Transactions

GEA Process Engineering A/S is a 100% owned subsidiary of GEA Group Holding GmbH, which is 100% owned by GEA Group Aktiengesellschaft, Germany.

GEA Process Engineering A/S' closely related parties with material influence include GEA Group Aktiengesellschaft and enterprises, including GEA Group Holding GmbH and its subsidiaries and associates, as well as the subsidiaries and associates listed in note 13.

GEA Process Engineering A/S sells and purchases goods and services to/from subsidiaries and associates. Intercompany trading is highlighted as follows:

kDKK		
Related party transactions	2019	2018
Sales, income	977.678	993.317
Purchase, expense	882.260	742.083
Overhead net income	97.545	165.199
Dividends from subsidiaries, income	1.345	17.518
Interest received, income	991	709
Interest paid, expense	6.863	2.170
Contract work in progress, assets	231.033	262.660
Receivables from group entities	418.804	561.802
Contract work in progress, liabilities	342.639	260.455
Liabilities to group entities	377.252	464.429

Consolidated Financial Statements

Name	Place of registered office
GEA Group Aktiengesellschaft	Germany

The Group Annual Report of GEA Group Aktiengesellschaft may be obtained at the following address:

GEA Group Aktiengesellschaft, Peter Müller Strasse 12, D-40468 Düsseldorf, Germany
Or at: <https://www.gea.com/en/investor-relations/releases-reports/annual-reports/index.jsp>

Notes to the Financial Statements

22 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

To date, the Company has not been negatively impacted by the effects of COVID-19 as the key industries and markets where the company is present have not been considerably weakened.

However there is still a risk that projects can be postponed or cancelled depending on how the COVID-19 situation develops in the future. Management is monitoring developments closely. It is, however, too early yet to give an opinion as to whether and, if so, to what extent COVID-19 will impact revenue and earnings in 2020.

Notes to the Financial Statements

23 Accounting Policies

The Annual Report of GEA PROCESS ENGINEERING A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in DKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of GEA Group Aktiengesellschaft, Germany, the Company has not prepared consolidated financial statements.

Further pursuant to the Danish financial statements act § 96, paragraph 3, the company has not disclosed fee for auditors appointed at the general meeting.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of GEA Group Aktiengesellschaft, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, write-down and provisions as well as write-backs as a result of changed accounting estimates of amounts that earlier have been included in the profit and loss statement are included.

Assets are included in the balance sheet when it is likely as a result of a prior event that future financial advantages will accrue to the company and when the value of the asset can be measured in a reliable way.

Liabilities are included in the balance sheet when the company has a legal or actual obligation as a result of a prior event and if it is likely that future financial advantages will no longer be of benefit to the company, and the value can be measured in a reliable way.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Gains, losses and risks that result before the annual report is submitted and which confirm or deny conditions present at the balance sheet date must be considered in connection with recognition and

Notes to the Financial Statements

23 Accounting Policies (continued)

measurement.

Business combinations

When acquiring new entities, the purchase method is applied under which identifiable assets and liabilities are measured at fair value at the date of acquisition.

Positive differences (goodwill) between cost and the fair value of identifiable assets and liabilities acquired, including restructuring provisions, are recognised as intangible assets and amortised systematically in the income statement based on an individual assessment of the useful life.

Goodwill and negative goodwill from acquired entities may be adjusted until 12 months after the acquisition date.

The uniting-of-interests method is applied to business combinations such as the acquisition and disposal of equity investments, mergers, demergers, contribution of assets, share exchanges, etc., between entities controlled by the Parent Company. The uniting of interests is considered to have been completed at the date of the acquisition without restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity is recognised in equity.

Gains or losses on the divestment of subsidiaries and associates are calculated as the difference between the sales amount and the carrying amount of net assets at the date of disposal, including non-amortised goodwill and projected costs of divestment or winding-up

Translation policies

Transactions in foreign currencies are recorded at initial recognition at the exchange rate on the transaction date. Exchange rate differences appearing between the exchange rate on the transaction day and the exchange rate on the date of the payment are recognised as a financial gain/loss in the profit and loss statement.

Receivables and debt in foreign currencies are recorded in Danish Kroner according to the exchange rate on the balance sheet date or the exchange rate in forward contracts, if the outstanding is secured.

Exchange rate differences appearing between the exchange rate on the balance sheet date and the exchange rate on the date of the original recognition of the receivable or the debt are recognised as a financial gain/loss in the profit and loss statement.

Notes to the Financial Statements

23 Accounting Policies (continued)

Hedge accounting

The company is on a continuous basis entering into financial contracts in order to hedge receivables, liabilities and expected cashflow.

For financial contracts, which are classified as and meet the requirements of full hedging assets, liabilities and expected cashflow, changes in fair value are recognised in accounts receivable, debts and equity. Gains and losses from such financial contracts are transferred from equity by realisation of the secured item and are recognised in the annual report in the same place as the secured.

Income Statement

Revenue

Income from the sale of goods for resale and finished goods, is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received.

Revenue is measured ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Construction contracts are recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method). When the income from a construction contract cannot be estimated reliably, revenue is recognised only corresponding to the costs incurred to the extent that it is probable that they will be recovered.

Production costs

Production cost comprise costs, including salaries, incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases.

Sales- and distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc., during the year are recognized as distribution costs. Also, costs relating to sales staff, advertising, exhibitions and depreciation are recognized as distribution costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for company management and administration, including expenses for administrative staff, management, office premises and office expenses, and depreciation.

Notes to the Financial Statements

23 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses include interest income and expenses as well as realised and unrealised exchange gains and losses related to transactions in foreign currency together with dividends distributed from subsidiaries, and impairment write-downs on subsidiaries and reversal hereof.

Tax on profit for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group companies. The Company is administrative company for the joint taxation and consequently settles all payments of corporation tax to the Danish Tax authorities. The tax effect of the joint taxation with other Danish group enterprises is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at maximum 20 years.

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

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

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

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life, which is 3-5 years.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the licence period.

Notes to the Financial Statements

23 Accounting Policies (continued)

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income/other operating costs.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. Assets of own production comprise direct and indirect expenses for labour and materials.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant, other fixtures and fittings, tools and equipment	3-15 years
Leasehold improvements	10-30 years

Depreciation period and residual value are reassessed annually.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price minus selling costs and carrying amount at the time of sale. Profits or losses are included in the income statement under other operating income/other operating costs.

Tangible fixed assets are written down to the recoverable amount, if this is lower than the book value.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment as well as equity investments in group entities and associates are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Notes to the Financial Statements

23 Accounting Policies (continued)

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Previously recognised write-downs are reversed when the bans for the write-down no longer exists. Reversed write-downs are recognised in the income statement as financial income.

Other investments

Other investments consist of deposits.

Inventories

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

The cost of goods for resale, raw materials and consumables consist of purchase price plus landing cost.

Goods of own production are measured at the lower of direct material and wages with addition of indirect production cost or net realisable value.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The percent of completion is determined as the ratio between direct allocated costs, including materials, wages etc. with the addition of indirect production costs related to the contract work and latest estimated total cost.

Contract work in progress and invoicing on account in foreign currency have been translated at the rates of exchange in effect on the date of contract.

In cases where invoicing on account exceeds the recognised sales value of a contract, the exceeding amount has been included in current liabilities as part of advance payment from customers.

Prepayments

Prepayments comprise prepaid expenses concerning subsequent financial years. Prepayments are measured at cost.

Notes to the Financial Statements

23 Accounting Policies (continued)

Equity

Reserve for development costs

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividend, distributed or cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributeable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the development costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Other provisions, which contain expected costs for warranty provisions, losses on contract work in progress, restructuring etc. are recognized if the obligation is present at the date of the balance sheet.

Warranty obligations contain the commitments to repair works within the warranty period. Based upon experience, a provision for warranty expenses has been established to cover such obligations.

When there is a probability that the total costs will exceed the total income of contract work in progress for third parties, a provision of the total loss expected is established under cost of manufactured goods.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

23 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account.

Current tax payable and receivable is recognised in the balance sheet as amounts owed by or to affiliates.

Liabilities other than provisions

Financial liabilities are measured at amortised cost, substantially corresponding to nominal value.

Segment information

Segment information is provided on business segments and geographical markets. The segment information is in line with the Company's accounting policies, risk and internal financial management.

Financial Highlights

Explanation of financial ratios

Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$