
GEA PROCESS ENGINEERING A/S

Gladsaxevej 305, DK-2860 Søborg

Annual Report for 1 January - 31 December 2020

CVR No 10 05 07 15

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
03/06 2021

Charlotte Thorsen
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 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January 31 December 2020.

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, 3 June 2021

Executive Board

Ulrik Lund Jakobsen
CEO

Dennis Hartvig Olsen
Executive Officer

Michael Friis
Executive Officer

Board of Directors

Ilija Aprcovic
Chairman

Matthias Decker

Ulla Michelsen

Henrik Rothausen
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 2020, 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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.

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

Independent Auditor's Report

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, 3 June 2021

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

Henrik Rothausen

Jan Kjærsgaard Hansen

Executive Board

Ulrik Lund Jakobsen

Dennis Hartvig Olsen

Michael Friis

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:

	2020 Mio. DKK	2019 Mio. DKK	2018 Mio. DKK	2017 Mio. DKK	2016 Mio. DKK
Key figures					
Profit/loss					
Revenue	1.965	2.101	2.281	2.105	1.709
Profit/loss before financial income and expenses	137	102	326	270	152
Net financials	16	-42	-10	73	35
Net profit/loss for the year	89	21	237	256	158
Balance sheet					
Balance sheet total	2.807	2.593	2.644	2.771	2.551
Equity	1.054	964	1.019	826	710
Investment in property, plant and equipment	4	7	13	25	6
Number of employees	754	772	717	686	645
Ratios					
Profit margin	7,0%	4,9%	14,3%	12,8%	8,9%
Return on assets	4,9%	3,9%	12,3%	9,7%	6,0%
Solvency ratio	37,5%	37,2%	38,5%	29,8%	27,8%
Return on equity	8,8%	2,1%	25,7%	33,3%	24,1%

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 operating profit for the year is DKK 137 million compared to an operating profit of DKK 102 million in 2019. Strong execution of projects and dedicated sales efforts has despite the impact on operations from COVID-19 led to an improvement of the operating profit.

Management considers the result of the year satisfactory and in accordance with expectations. During 2020 the company has succeeded in maintaining a strong market position.

Special 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.

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.

Management's Review

Targets and expectations for the year ahead

The expectations for 2021 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 59,9 million in 2020 (DKK 73,0 million in 2019). Capitalized development projects amounted to DKK 37 million in 2020.

Statement of corporate social responsibility

The core activity of the company is engineering and supply of industrial processing plants.

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 2020, 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.

During 2020 the company formulated a new strategy with high focus on Sustainability and New Food. Both focus areas serve to reduce impact on the climate and environment – the latter indirectly through less climate and environmental impact early in the food production chain, e.g. at farms. However, the company contributes to the trend with new solutions that enables downstream processing of New Foods. On sustainability, the focus is on reducing energy and water consumption at our customers' production sites. To implement the strategy the company has already increased the number of employees working on sustainability.

In 2017 the company initiated a multimillion DKK development project to vastly reduce the energy consumption of drying plants offered to customers. A prototype plant was successfully commissioned at the company's Søborg Test Centre in 2019 and this project continued throughout 2020. 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 was ready for sale in 2019. To

Management's Review

further strengthen the heat pump technology the company in 2020 decided to join the so-called Suprheat project. This project runs under the national Energy Technology Development and Demonstration Program (EUDP) and includes 16 industrial and university partners. In this project, high-temperature heat pump technologies using natural refrigerants will be developed. The developments are expected to provide the basis for further electrifying a large share of the industrial process heat demand while increasing energy efficiency and reducing greenhouse gas emissions considerably. The results will be a key-technology for GEA when supplying plants for the process industry that comply with climate targets.

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 SANICIP II(TM) filter is now the standard for all new equipment installations. 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

GEA carried out an employee engagement survey in November 2020 with focus on individual and autonomous feedback per department. This was done to outline the earliest effects of both the CREATE organization as well as to grasp the employee's perceptions of the Corona Pandemic.

Covid-19

The arrival of the Corona Pandemic early 2020 has significantly changed the way GEA employees work, at least temporarily. Back in early March 2020 a Corona Crisis Management Team was formed with stakeholders from all legal entities with the purpose to develop guidelines and crisis plans, to decide and align on local measures and to set up a communication platform. The team has throughout the Pandemic met twice a week plus ad hoc meetings/calls when positive cases needed to be handled. An important task has been to stay up to date with the rules and recommendation from the Danish Health Authorities and the Government and to assist our employees in understanding these rules and recommendations and to provide council. The Corona Crisis Team has been responsible for the reporting of positive cases, the handling of close contacts as well as communication to all levels of the organization.

Mental Health

The mental health and wellbeing of our employees is of utmost importance for the company to be effective and to remain an attractive place to work. There is no doubt that the restrictions caused by the Corona Pandemic and the associated change in work mode has had an impact on the mental health – positive and negative. As human beings we need to interact and to socialize and the Pandemic has restricted this behavior. To counter the negative effects, the Human Resources organization has run

Management's Review

webinars with tips and tricks and things to be aware of during these changing times. A positive effect has been that the sick leave is at a record low at 1,5% for 2020 and the number of reported stress cases is lower compared to previous years. Human Resources are working closely with the Occupational Health and Safety organization to continuously monitor the situation.

Harassment Policy

During 2020 HR took steps to develop a harassment policy due to a new legal requirement. In the making the policy was commented by the Employee Committee and the Occupational Health and Safety organization. The policy was then communicated to all managers and subsequently to all staff. The policy is now part of the Employee Handbook.

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 2020.

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

Management's Review

Equal opportunities

Looking at the total management group below Executive Management the gender composition is 13,2% women and 86,8% men, which signals a significant increase towards GEA's goal of awareness towards the gender gap within management. We also 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. We have a strong focus on recruiting candidates from both genders when we have open positions. We are continuously making awareness in the management group of this gender issue.

At the beginning of the year 2020 the gender composition of the company showed 25,8% women and 74,2% men. Our goal of having a gender composition in 2019 of 25% women and 75% men, have thus been reached in 2020.

The Board of Directors of GEA Process Engineering A/S has three members selected by the Annual 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	2020 DKK	2019 DKK
Revenue	1	1.964.853.301	2.101.381.745
Production cost	2,5	-1.332.967.446	-1.571.368.411
Gross profit/loss		631.885.855	530.013.334
Sales- and distribution costs	3,5	-273.349.470	-186.722.128
Administrative expenses	4,5	-222.367.231	-240.960.124
Operating profit/loss		136.169.154	102.331.082
Other operating income		761.415	0
Profit/loss before financial income and expenses		136.930.569	102.331.082
Income from investments in subsidiaries	6	23.416.365	-41.081.796
Financial income	7	841.128	7.562.174
Financial expenses	8	-8.666.440	-8.342.569
Profit before tax		152.521.622	60.468.891
Tax on profit for the year	9	-63.072.850	-39.951.320
Net profit/loss for the year		89.448.772	20.517.571

Balance Sheet 31 December 2020

Assets

	Note	2020 DKK	2019 DKK
Completed development projects		42.785.809	73.488.652
Acquired intangible assets		20.533.881	30.068.765
Goodwill		12.782.057	17.637.684
Development projects in progress		47.686.699	87.364.410
Intangible assets	11	123.788.446	208.559.511
Plant and machinery		3.444.583	5.024.995
Other fixtures and fittings, tools and equipment		1.258.605	1.342.493
Leasehold improvements		62.105.519	72.067.999
Property, plant and equipment in progress		6.540.717	3.771.450
Property, plant and equipment	12	73.349.424	82.206.937
Investments in subsidiaries	13	1.128.807.689	1.005.923.667
Deposits	14	8.223.064	8.062.270
Investments		1.137.030.753	1.013.985.937
Fixed assets		1.334.168.623	1.304.752.385
Raw materials and consumables		98.222.837	109.929.937
Inventories		98.222.837	109.929.937
Trade receivables		144.456.082	207.715.475
Contract work in progress	15	376.524.695	400.095.513
Receivables from group enterprises		784.551.215	418.804.432
Other receivables		736.465	80.147.547
Prepayments	16	38.150.265	57.804.435
Receivables		1.344.418.722	1.164.567.402
Cash at bank and in hand		30.649.069	13.559.948
Currents assets		1.473.290.628	1.288.057.287
Assets		2.807.459.251	2.592.809.672

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital	17	100.000.000	100.000.000
Reserve for development costs		63.279.290	111.068.131
Retained earnings		890.645.580	753.407.967
Equity		1.053.924.870	964.476.098
Provision for deferred tax	18	249.988.097	240.497.544
Warranty and other provisions	19	53.361.824	39.752.771
Total provisions		303.349.921	280.250.315
Trade payables		249.877.576	252.117.034
Contract work in progress, liabilities	15	588.578.617	511.232.608
Payables to group enterprises		388.050.922	377.251.706
Corporation tax		40.819.518	65.297.826
Other payables		182.857.827	142.184.085
Short-term liabilities other than provisions		1.450.184.460	1.348.083.259
Debt		1.450.184.460	1.348.083.259
Liabilities and equity		2.807.459.251	2.592.809.672
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	20		
Related parties	21		
Accounting Policies	22		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January 2020	100.000.000	111.068.131	753.407.967	964.476.098
Development costs for the year	0	28.861.682	-28.861.682	0
Depreciation, amortisation and impairment for the year	0	-76.650.523	76.650.523	0
Net profit/loss for the year	0	0	89.448.772	89.448.772
Equity at 31 December 2020	100.000.000	63.279.290	890.645.580	1.053.924.870
Equity 1. januar 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

Notes to the Financial Statements

	2020 DKK	2019 DKK
1 Revenue		
Geographical segments		
Revenue, Denmark	100.065.293	137.337.941
Revenue, exports	1.864.788.008	1.964.043.804
	1.964.853.301	2.101.381.745
Business segments		
Denmark		
Project	47.149.000	56.689.869
Component	18.138.143	39.225.804
Service	34.778.150	41.422.268
	100.065.293	137.337.941
Export		
Project	1.586.102.093	1.679.682.788
Component	30.269.615	21.275.911
Service	248.416.300	263.085.105
	1.864.788.008	1.964.043.804
	1.964.853.301	2.101.381.745
2 Production cost		
Cost of goods sold	1.126.145.873	1.334.792.556
Wages and salaries	206.821.573	236.575.855
	1.332.967.446	1.571.368.411
3 Sales- and distribution costs		
Wages and salaries	169.222.988	190.263.543
Depreciation and amortisation	78.497.312	38.886.991
Other expenses	60.170.206	38.708.549
Charged to group companies	-34.541.036	-81.136.955
	273.349.470	186.722.128

Notes to the Financial Statements

	2020 DKK	2019 DKK
4 Administrative expenses		
Wages and salaries	186.262.863	161.465.303
Depreciation and amortisation	51.225.270	34.597.789
Other expenses	27.154.769	47.509.488
Charged to group companies	-43.037.086	-2.612.456
Other expenses	761.415	0
	222.367.231	240.960.124
5 Staff		
Wages and Salaries	511.805.094	536.496.617
Pensions	47.313.078	46.796.880
Other social security expenses	3.189.252	5.011.204
	562.307.424	588.304.701
Including remuneration to the Executive Board and Board of Directors:		
Executive Board	5.378.151	5.137.170
Board of Directors	100.000	100.000
	5.478.151	5.237.170
Average number of employees	754	772
6 Income from investments in subsidiaries		
Reversal of impairment in subsidiaries	96.403.341	5.192.647
Impairment of investment in subsidiaries	-151.226.657	-47.619.457
Dividends from subsidiaries	78.239.681	1.345.014
	23.416.365	-41.081.796

Notes to the Financial Statements

	2020 DKK	2019 DKK
7 Financial income		
Interest received from group enterprises	841.128	990.780
Other financial income	0	91.140
Exchange adjustments	0	6.480.254
	841.128	7.562.174
8 Financial expenses		
Interest paid to group enterprises	4.979.979	6.863.199
Other financial expenses	2.696.373	1.479.370
Exchange adjustments, expenses	990.088	0
	8.666.440	8.342.569
9 Tax on profit for the year		
Current tax for the year	18.097.209	75.235.552
Deferred tax for the year	11.250.450	-48.457.684
Adjustment of tax concerning previous years	12.458.621	0
Adjustment of deferred tax concerning previous years	-1.759.897	-6.240.998
Other taxes	23.026.467	19.414.450
	63.072.850	39.951.320
10 Distribution of profit		
Extraordinary dividend paid	0	74.673.000
Retained earnings	89.448.772	-54.155.429
	89.448.772	20.517.571
Extraordinary dividend after year end	409.249.500	0

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 2020	259.646.888	47.575.886	81.224.562	87.364.410
Additions for the year	0	2.089.942	0	37.002.156
Disposals for the year	0	-7.736.744	0	0
Transfers for the year	76.679.867	0	0	-76.679.867
Cost at 31 December 2020	336.326.755	41.929.084	81.224.562	47.686.699
Impairment losses and amortisation at 1 January 2020	186.158.236	17.507.121	63.586.878	0
Impairment and amortisation for the year	107.382.710	4.661.756	4.855.627	0
Impairment and amortisation of sold assets for the year	0	-773.674	0	0
Impairment losses and amortisation at 31 December 2020	293.540.946	21.395.203	68.442.505	0
Carrying amount at 31 December 2020	42.785.809	20.533.881	12.782.057	47.686.699

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 2020	83.905.195	12.591.390	123.461.615	3.771.450
Additions for the year	0	242.810	148.348	3.573.818
Disposals for the year	-5.244.623	-3.182.945	-3.167.515	0
Transfers for the year	804.551	0	0	-804.551
Cost at 31 December 2020	<u>79.465.123</u>	<u>9.651.255</u>	<u>120.442.448</u>	<u>6.540.717</u>
Impairment losses and depreciation at 1 January 2020	78.880.200	11.248.897	51.393.616	0
Depreciation for the year	2.384.963	326.698	10.110.828	0
Impairment and depreciation of sold assets for the year	<u>-5.244.623</u>	<u>-3.182.945</u>	<u>-3.167.515</u>	<u>0</u>
Impairment losses and depreciation at 31 December 2020	<u>76.020.540</u>	<u>8.392.650</u>	<u>58.336.929</u>	<u>0</u>
Carrying amount at 31 December 2020	<u>3.444.583</u>	<u>1.258.605</u>	<u>62.105.519</u>	<u>6.540.717</u>

Notes to the Financial Statements

13 Investments in subsidiaries

	2020 DKK	2019 DKK
Cost at 1 January 2020	1.210.477.277	1.011.140.366
Additions for the year	177.707.338	199.336.911
Cost at 31 December 2020	1.388.184.615	1.210.477.277
Value adjustments at 1 January 2020	-204.553.610	-162.126.800
Impairment for the year	-151.226.657	-47.619.457
Reversals of impairment	96.403.341	5.192.647
Value adjustments at 31 December 2020	-259.376.926	-204.553.610
Carrying amount at 31 December 2020	1.128.807.689	1.005.923.667

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 test is calculated on the basis of net cash flow over a period of several years and a growth rate of 2%. The Weighted Average Cost of Capital (WACC) is based of a factor of 8,64%, 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 151,2 million, and reversal of impairment totaling DKK 96,4 million. The impairment concerns the companies GEA Process Engineering (India) Limited and GEA Westfalia Separator Argentina S.A. where the financial outlooks for the subsidiaries have decreased the estimated recoverable amounts.

The reversal of impairment concerns the subsidiaries GEA Process Engineering Ltd. (Japan), GEA Process Technology Warsaw Sp.z.o.o. and GEA Process Engineering de Mexico S.A. de C.V. where an improvement in market conditions and financial outlook for the subsidiaries have increased the estimated recoverable amounts.

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%	47.774.134	1.904.461
GEA Scan Vibro A/S	Denmark	100%	34.356.528	989.427
GEA Process Engineering OY	Finland	100%	12.128.026	3.972.586
GEA Pharma Systems AG	Schweiz	100%	95.376.822	-3.042.674
GEA Process Engineering Australia Pty. Ltd.	Australia	100%	94.855.026	-4.270.158
GEA Engenharia e Processos Industriais Ltda.	Brazil	100%	93.684.712	7.543.450
GEA Process Engineering Ltd.	Japan	100%	15.594.241	-25.948.278
GEA Process Engineering (NZ) Limited	New Zealand	100%	239.452.102	5.765.458
GEA Process Engineering (S.E.A.) Pte Ltd.	Singapore	100%	89.451	-42.790.854
GEA Process Engineering (India) Limited	India	100%	249.500.398	-14.328.092

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 Technology Warsaw Sp.z.o.o	Poland	100%	-3.891.106	17.000
GEA Pharma Systems N.V.	Belgium	100%	355.514.401	2.611.194
GEA Process Engineering	Chile	100%	14.167.023	-5.319.417
GEA Tuchenhausen Mak. Mük. Tic. Ltd. Sti.	Turkey	100%	1.379.032	1.063.820
GEA Process Engineering de México S.A. de C.V.	Mexico	100%	73.737.204	2.893.888
GEA Westfalia Separator K.K.	Japan	100%	34.483.249	5.691.065
GEA Westfalia Separator Argentina S.A.	Argentina	5%	-4.181.821	14.313.213
			<u>1.354.019.421</u>	<u>-48.933.912</u>

14 Other investments

	Deposits DKK
Cost at 1 January 2020	8.062.270
Additions for the year	<u>160.794</u>
Cost at 31 December 2020	<u>8.223.064</u>
Carrying amount at 31 December 2020	<u>8.223.064</u>

Notes to the Financial Statements

	2020 DKK	2019 DKK
15 Contract work in progress		
Selling price of work in progress	3.955.995.246	4.436.027.987
Payments received on account	-4.168.049.168	-4.547.165.082
	-212.053.922	-111.137.095
Recognised in the balance sheet as follows:		
Contract work in progress for affiliated companies	300.355.738	231.033.020
Contract work in progress for third parties	76.168.957	169.062.493
Total work in progress	376.524.695	400.095.513
Advance payments from affiliated companies	-413.433.600	-342.638.898
Advance payments from third parties	-175.145.017	-168.593.710
Total advance payments	-588.578.617	-511.232.608
Total	-212.053.922	-111.137.095

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

	2020 DKK	2019 DKK
18 Provision for deferred tax		
Provision for deferred tax at 1 January	240.497.544	295.196.226
Amounts recognised in the income statement for the year	11.250.450	-48.457.684
Adjustment of deferred tax (concerning previous years, equity adj. etc.)	-1.759.897	-6.240.998
Provision for deferred tax at 31 December	249.988.097	240.497.544
Intangible assets	24.960.338	43.089.098
Tangible assets	329.705	619.618
Contract work in progress	229.227.541	201.149.379
Provisions and debt	-4.529.487	-4.360.551
	249.988.097	240.497.544
19 Warranty and other provisions		
Warranty and guarantee provisions	37.450.824	29.195.041
Other provisions	15.911.000	10.557.730
	53.361.824	39.752.771
20 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	25.459.556	24.289.249
Between 1 and 5 years	82.230.697	80.432.573
After 5 years	0	19.199.682
	107.690.253	123.921.504

Notes to the Financial Statements

	2020 DKK	2019 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.	31.535.963	163.416
Bank guarantees have been given to third parties concerning execution of contractual work etc. for third party.	313.795.022	306.166.122

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	2020	2019
Sales, income	830.816	977.678
Purchase, expense	782.365	882.260
Overhead net income	77.578	97.545
Dividends from subsidiaries, income	78.240	1.345
Interest received, income	841	991
Interest paid, expense	4.980	6.863
Contract work in progress, assets	300.356	231.033
Receivables from group entities	784.515	418.804
Contract work in progress, liabilities	413.434	342.639
Liabilities to group entities	388.051	377.252

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 Accounting Policies

The Annual Report of GEA PROCESS ENGINEERING A/S for 2020 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 2020 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

22 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.

Revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

22 Accounting Policies (continued)

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

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 and machinery	3-15 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	10-30 years

The fixed assets' residual values are determined at nil.

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.

Notes to the Financial Statements

22 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.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment as well as equity investments in group entities 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.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$