

# Alfa Laval Copenhagen A/S

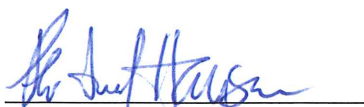
Maskinvej 5, 2860 Søborg

Company reg. no. 10 13 42 85

## Annual report

**1 January - 31 December 2021**

The annual report was submitted and approved by the general meeting on the 11-05-2022



Per Lund Hansen  
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

## Management's statement

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Today, the Board of Directors and the Managing Director have approved the annual report of Alfa Laval Copenhagen A/S for the financial year 1 January - 31 December 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

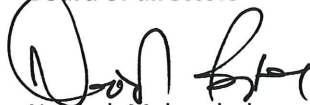
Søborg, 11 May 2022

### Managing Director



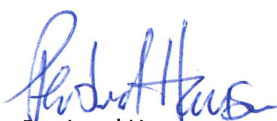
Per Lund Hansen

### Board of directors



Nainesh Mahendrakumar Patel

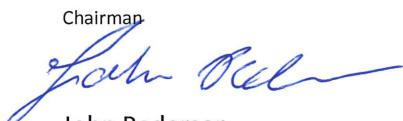
Chairman



Per Lund Hansen



Anne Kirstine Raun Senderovitz



John Pedersen

Susanne Rosentoft

## **Independent auditor's report**

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### **To the Shareholder of Alfa Laval Copenhagen A/S**

#### **Opinion**

We have audited the financial statements of Alfa Laval Copenhagen A/S for the financial year 1 January – 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Statements Act.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

#### **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.



## Independent auditor's report

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### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 note 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.

## Independent auditor's report

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### Statement on the Management's Review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

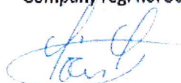
In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 11 May 2022

EY Godkendt Revisionspartnerselskab  
Company reg. no. 30 70 02 28



Søren Skov Larsen  
State Authorised Public Accountant  
mne26797



Allan Nørgaard  
State Authorised Public Accountant  
mne35501

## Company information

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<b>The company</b>	Alfa Laval Copenhagen A/S Maskinvej 5 2860 Søborg  Company reg. no. 10 13 42 85 Financial year: 1 January - 31 December
<b>Board of directors</b>	Nainesh Mahendrakumar Patel, Chairman Per Lund Hansen Anne Kirstine Raun Senderovitz John Pedersen Susanne Rosentoft
<b>Managing Director</b>	Per Lund Hansen
<b>Auditors</b>	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 2000 Frederiksberg

## Financial highlights

DKK in thousands.	2021	2020	2019	2018	2017
<b>Income statement:</b>					
Revenue	883.456	911.067	1.428.922	1.553.629	1.402.472
Profit from operating activities	-50.802	-157.621	-87.422	-134.608	-123.739
Net financials	-5.768	-7.560	-8.433	-475	-3.736
Net profit or loss for the year	-43.104	-128.197	-74.811	-105.169	-100.036
<b>Statement of financial position:</b>					
Balance sheet total	647.984	563.738	680.659	795.211	759.231
Investments in tangible fixed assets represent	13.455	13.975	12.800	16.956	1.150
Equity	83.223	86.208	114.422	47.913	72.889
<b>Employees:</b>					
Average number of full-time employees	452	480	496	491	523
<b>Key figures in %:</b>					
Profit margin (EBIT-margin)	-5,8	-17,3	-6,1	-8,7	-8,8
Solvency ratio	12,8	15,3	16,8	6,0	9,6
Return on equity	-50,9	-127,9	-92,2	-174,1	-133,3

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

No adjustments related to impact due to IFRS 15 and IFRS 16 have been made to comparative figures 2017-2018. Further to this the Pure Ballast activity has been transferred to Alfa Laval Aalborg A/S in June 2019. The book value method has been used and no comparative figures have been adjusted in relation to this structural change.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

<b>Profit margin (EBIT margin)</b>	$\frac{\text{Operating profit or loss (EBIT)} \times 100}{\text{Revenue}}$
<b>Solvency ratio</b>	$\frac{\text{Equity, closing balance} \times 100}{\text{Total assets, closing balance}}$
<b>Return on equity</b>	$\frac{\text{Net profit or loss for the year} \times 100}{\text{Average equity}}$



## Management's review

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### **The below review concerns Alfa Laval as a global business.**

Alfa Laval is a leading global provider of premium products in the areas of technology, services and digital solutions within heat transfer, separation, and fluid handling, and is active in the areas of Energy, Marine and Food & Water. Alfa Laval offers its expertise, products, and services to a wide range of customers worldwide. Alfa Laval is committed to optimizing processes, creating responsible growth, and driving progress – always going the extra mile to support customers in achieving their business goals and sustainability targets.

Alfa Laval's innovative technologies are dedicated to purifying, refining, and reusing materials, to promote a more responsible use of natural resources. The company contributes to improved energy efficiency and heat recovery, better water treatment and reduced CO2 emissions. In this way, Alfa Laval is not only accelerating success for its customers, but also for people and the planet.

Alfa Laval's Danish companies are owned by Alfa Laval Corporate AB, which is listed on Nasdaq OMX. The group is headquartered in Lund, in the Oresund region. Alfa Laval's products are sold in more than 100 countries, of which more than 50 have their own sales organizations.

Alfa Laval has approx. 17,900 employees in 50 sales companies and more than 100 local service centres worldwide. Most of the employees work in Sweden, Denmark, China, India, and North America.

Alfa Laval's five business entities in Denmark have approx. 1,750 employees focusing primarily on innovation, business development, production, sales, and sales promotion. Several of Alfa Laval's knowledge hubs and test centres are based in the Danish companies and represent a vital part of the Alfa Laval Group's development activities.

### **2021 in brief**

2021 was another strong year for Alfa Laval. The company's business units launched a new strategic plan for long-term growth leading to significant year-end results, particularly in relation to the overall aim to strengthen order intake, earnings, customer experience, and to increase Alfa Laval's overall market share.

The full-year order intake amounted to SEK 45.7 billion or DKK 33.2 billion and finished strongly with order intake growing to 26 percent. In fact, almost all regions and end-user markets showed good results during the year.

The main growth driver continues to be the growing demand for sustainable solutions for energy efficiency and decarbonization. Additionally, the contracting of new ships accelerated significantly, indicating profitable business opportunities within the Marine sector.

After several years of low activity level in the Oil & Gas sector, order intake is also growing in the end markets. Finally, service continued to show growth across the company in the fourth quarter and increased by 14 percent compared to last year.

## Management's review

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Despite high-cost inflation, raw material costs, and logistic costs, Alfa Laval reached a EBITA margin of 17 percent through higher volumes, operating efficiency, and a further reduction of costs. Alfa Laval's supply chain was stable at the end of the year despite a challenging environment. Delayed deliveries due to component shortages remained at approximately the same level as 2020.

The annual accounts of the Danish companies have been affected positively by the increasing demand from major energy companies for hydrotreated vegetable oil (HVO) pre-treatment systems to produce renewable diesel from used cooking oil for heavy transport.

Due to increasing prices on fossil fuels in 2021, Alfa Laval in Denmark is also experiencing increasing demand for decanter centrifuges for ethanol production - a biofuel that reduces the environmental impact of fossil fuels.

In addition, the continued impact of the Covid-19 pandemic in 2021, seriously boosted the sale of digital solutions, which was particularly evident in the breakthrough of the sales of digital solutions for Alfa Laval's decanter centrifuges to the Food and Wastewater industries. The interplay between increased sales of digital solutions for decanter centrifuges and the implementation of a new digital remote service solution based on merged reality also had a positive effect on the company's service business, which grew considerably in 2021, in Denmark and globally.

Alfa Laval also experienced an increasing demand from established dairies in Denmark and the Nordic countries for, e.g., decanter centrifuges. This development is based on a desire to expand portfolios to also include various plant-based beverages and is driven by increased demand for plant-based beverages, such as wheat and soy, caused partly by pressured global food supply chains and because of increased consumer awareness of food's environmental footprint.

The market for plant-based protein also continued to grow in 2021, which contributed positively to the sale of Alfa Laval's processing equipment for more traditional forms of plant-based protein. The company is also experiencing increasing interest in investment in the development of new types of protein based on new raw materials, such as plants or insects, and in completely new forms of production, such as those based on cell-grown protein.

### Investments and development in Denmark

The financial year saw several different investments in Alfa Laval's Danish sites. The company continued to invest in new technology that will enable shipowners to live up to the ever-tightening requirements for shipping worldwide. Through a collaboration with Blue World Technologies in Aalborg, Alfa Laval has succeeded in developing fuel cells, which will enable the use of methanol as a cleaner alternative to fossil fuels on board ships. Testing is scaled up to take place in a natural size ratio at the test and training centre in Aalborg. The use of methanol as a fuel is generally considered a step in the right direction and is part of a larger solution to ensure a transition to shipping that has a drastically reduced environmental impact. The development has taken place in close collaboration with customers in the Marine industry and is planned for launch during 2022.

## Management's review

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In Søborg, Alfa Laval has invested in a new innovation and test centre that will provide customers, and Alfa Laval, with a framework for testing and developing the use of Alfa Laval Revos. The technology is used to concentrate, for example, beer, which enables breweries around the world to reduce the volume of the finished beer they transport by up to 80 percent by simply transporting a concentrate, thus reducing the environmental impact while at the same time preserving the full taste experience.

Alfa Laval has also continued the expansion of its global test and innovation centre for decanter centrifuges in Søborg. With the employment of more employees to work with machine learning and data processing, the staffing is almost fully expanded, and the utilization rate of the facilities is now close to maximum.

Also, in Søborg, Alfa Laval's Nordic service and sales company continued to expand the Group's regional service centre for separation technology, in 2021, by increasing capacity and adding more advanced services that cannot be implemented at customer sites. This includes the service of an increasing amount of equipment from customers all over the Nordic region as well as elsewhere in Northern Europe. The employees are experienced specialists with a focus on both quality and safety.

At Alfa Laval's site in Nakskov, the company laid the foundations for investment in an upgrade of production equipment and production capacity. This is ongoing alongside targeted efforts to reduce the amount of wastewater and the cost of chemical treatment driven by the tightening of EU chemicals legislation REACH in 2018 and increased product quality requirements. In 2021, 70 percent of the process water used was treated to a quality that means it can be sent directly to the local municipal treatment plant via a pipeline built by Alfa Laval in 2020. The company continues to optimize its water consumption and wastewater treatment.

2021 was also the year in which Alfa Laval took new steps to move activities from its Eastbourne factory, in the UK, to the company's site in Kolding. The purpose of the move is partly to optimize production and standardize products and partly to ease the environmental footprint of the company's activities.

In 2021, the company also launched several new groundbreaking solutions for hygienic liquid handling. The new DuraCirc® pump gives a large number of industries a highly optimized operation and is unparalleled in the market. The launches of Condition Monitor and CM Connect are the first step towards the digitized monitoring of hygienic liquid handling, which will improve Alfa Laval's ability to anticipate customers' operational failures and improve their utilization of Alfa Laval equipment.

In 2021, Alfa Laval also entered into a collaboration with Stena Recycling with a view to reutilizing worn-out heat exchangers from customers throughout the Nordic region. The scheme ensures the recycling of all metal in the used heat exchangers. It is a significant step towards ensuring the recycling of other worn-out products and will contribute to neutralizing Alfa Laval's CO2 emissions by 2030.



## Management's review

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### Contribution to energy transition

In 2021, the Alfa Laval Group enhanced its interplay between services, business development and the digital transformation of business processes. In addition, the higher volume of digital services, which enable its customers to assess the need for service to reduce their carbon footprint, is also enhanced and has led to a more dynamic approach in the optimization of customers' systems.

Across Alfa Laval's customer-focused activities, four cornerstones have been identified in the effort to reduce carbon footprint. These areas contribute to Alfa Laval's profitability and to enhancing customer competitiveness through sustainable solutions. These are now a driving force for green transition.

### Energy efficiency

Accelerating sustainable solutions through energy efficiency is essential for the delivery of sustainable products and solutions across all of Alfa Laval's business areas and industries.

Alfa Laval's heat transfer technology plays a decisive role in recovering and converting waste heat directly into electrical power on board ships as it is up to 50 percent more energy efficient than traditional technology. This reduces costs and provides customers with an incentive to reuse heat as fossil fuel prices continue to rise. Shipowners' use of green hydrogen as an alternative fuel will also drive rapid cost reduction for green hydrogen.

### Clean energy

The demand for clean energy solutions accelerated faster than ever in 2021, and Alfa Laval kept its investments in the field as a result. Heat transfer and separation technologies are often critical components when producing green hydrogen, Power-to-X, and fuels cells for energy storage, which make them significant business potential areas.

### Circularity

In 2021, circularity became an even more important part of Alfa Laval's activities in improving and optimizing its customers' recirculation of water, heat, chemicals, polymers, and other resources.

Alfa Laval's customers are embracing circularity to turn a profit, which is essential for Alfa Laval's move towards circularity and circular economy. Processing the by-products of ethanol production is far more profitable for customers than the actual ethanol production.

### Sustainable food

In recent years, Alfa Laval has been preparing for changing consumer behaviour for sustainable foods and has developed energy-efficient solutions for plant-based protein processing systems. This is partly to ensure the higher yield of existing foods and partly to strengthen global supply chains and to enable a supplement from local supply chains.

## Management's review

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### Sustainability

Alfa Laval is not only accelerating sustainability for its customers. For Alfa Laval, sustainability is an integral part of our long-term strategy and Alfa Laval continues to support the UN Global Compact. In addition, Alfa Laval has joined the '1.5 C Business Playbook initiative to accelerate its efforts to become carbon neutral by 2030. It is a big undertaking for the Alfa Laval Group, but progress in 2021 was substantial. First, the emissions of scope 1 & 2 were reduced by 33 percent compared to 2020, despite increased volumes in production. Second, for the first time, Alfa Laval now has a clear plan for how to reach our objectives by 2030.

Alfa Laval aims to reduce its impact on the environment and continues its efforts to reduce emissions throughout the value and supply chains, while also extending the lifespan of our products. Many Alfa Laval products have a lifespan of 20 to 30 years. By designing products that last longer, Alfa Laval sees the greatest potential for reducing its environmental impact. Alfa Laval will develop environmentally optimized products for use in global supply chains and help its customers to optimize their processes to become more productive, energy efficient and competitive.

### Inclusion and diversity

At Alfa Laval, collaboration and strong, lasting partnerships are deeply rooted in our culture. Development, implementation, and servicing of customer solutions take place together with our customers and our partners. At Alfa Laval, we always go the extra mile to overcome the toughest challenges. Alfa Laval has dedicated people with curious minds and its driving force is to accelerate success for its customers, people, and planet. Every day.

At present there are 44 nationalities in the Danish companies, which clearly demonstrates that diversity and inclusion are key priorities.

### Alfa Laval in Denmark

The five Danish companies work closely together to coordinate activities and to position Alfa Laval Group in Denmark. Below is an overview of the activity areas of the five different legal entities.

#### Alfa Laval Aalborg A/S

Alfa Laval Aalborg is a global centre for boiler technology. The company develops, manufactures, supplies and services boilers, burners, heat exchangers and inert gas burners for ships and industries throughout the world. The company has increasing focus on the development of green technologies for the Shipping industry, such as fuel cells as a renewable energy source for shipping. Alfa Laval Aalborg has the world's largest test and training centre, which gives the customers a unique opportunity to test their marine products in their own environment using seawater from the nearby Limfjord and with state-of-the-art equipment. In addition, the company has production facilities for manufacturing of PureBallast technology dedicated to ballast water treatment on board ships.

## Management's review

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### **Alfa Laval Copenhagen A/S**

Alfa Laval Copenhagen, headquartered in Søborg, is a global centre for process technology, decanter centrifuges and desalination. Alfa Laval's Food & Water Division and Alfa Laval's global Innovation & Test Centre for decanters are also headquartered in Søborg. The primary business areas are product development, production, sales promotion and worldwide sales of various technologies, digital solutions, services for various industries within the Energy sector, Food industry and Wastewater treatment business.

### **Alfa Laval Kolding A/S**

Alfa Laval Kolding is a global centre for flow equipment and for tank-cleaning equipment. The primary business areas are product development, production, distribution and sale of pumps, valves and tank equipment for the Food, Brewery, Dairy, Pharmaceutical and Cosmetics industries. The company specializes in precision control of fluid transport solutions for pumping liquids of any viscosity, fast cleaning, and intelligent, automated control. In addition, the company is responsible for purchasing complementary solutions for use within Food & Beverage, Brewery, Pharmaceutical, Chemical, and Pulp & Paper as well as the Marine and Offshore industries. In addition, the company has a global Application & Innovation Centre and a Training Centre, which are used by end users, business partners and Alfa Laval employees.

### **Alfa Laval Nakskov A/S**

Alfa Laval Nakskov is a global centre for membrane filtration. The company is Alfa Laval's global centre for development, production and sale of membranes and advanced liquid separation systems for the Biotechnological and Pharmaceutical industries, the Food industry, the Process industry, the Wastewater industry and other selected customers and applications. The company produces the finest pore-size filters in the market ranging from microfiltration to nanofiltration and ultrafiltration to reverse osmosis membranes, where separation takes place based on molecular size. The company develops and provides MBR Membranes, which makes wastewater plants smaller, less expensive, and more efficient. Alfa Laval Nakskov also has a global test centre where customers can test Alfa Laval's membrane technology on various applications.

### **Alfa Laval Nordic A/S**

Alfa Laval Nordic A/S is the Alfa Laval Group's sales and service company in Denmark. The company is responsible for the sales and marketing of products and systems, as well as the sale of spare parts and services within separation, heat exchangers and liquid handling in Denmark. The company is part of the Nordic sales region within Alfa Laval, which entails integrated cooperation across the sales organizations in Denmark, Finland, Norway, and Sweden, which also covers activities in Iceland and the Faroe Islands.

### **Development in activities and financial matters for Alfa Laval Copenhagen A/S**

The 2021 income statement for Alfa Laval Copenhagen A/S shows a loss of DKK 43.1 m. and the company's balance sheet as of 31st of December 2021 shows an equity at DKK 83.2 m. The result before tax is a loss of DKK 56.6 m. in 2021 compared to a loss of DKK 165.2 m. in 2020.



## Management's review

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The result for 2021 is not satisfactory mainly due to the Energy separation business that a few years ago encountered a significant decline in sales within the oil- and gas industry. Some of this business is picking up again but the direction towards offering sustainable solutions to the customers are progressing well. That turnaround is expected to take some years.

In general the result is improved significantly since 2020 mainly due to increased sales and profitability within the Food & water business.

The turnover is distributed geographically like this:

	2021	2020
	<u>Share in %</u>	<u>Share in %</u>
America	24	19
The East	15	4
Europe	55	57
Oceania and Africa	6	20
	<b>100</b>	<b>100</b>

### Development in share capital

The company had a capital injection during the year as a result of a negative result. Additionally, the owner Alfa Laval Kolding A/S has made a statement of support in which full financial support is guaranteed including additional capital injections if needed, up until the publication of the company's annual report for 2022 in 2021.

### Unusual risks

The management's assessment is that the company is not affected by special risk besides the ones that are of common occurrence in the industry and in companies that operates worldwide under influence by many different cultures, practices and legislations.

### Research and development activities

The company's products are developed continuously. This ongoing development and adjustment of products are made in accordance with the needs and development of the customers and industries. All expenses are booked as costs when it occurs. During 2021 investments amounting to DKK 38.4 m. were made in new patents and test facilities within concentrated beer technology, called Revos. The technology can support the beer industry to be more sustainable but is also a technology that can be used to take alcohol out of beer, wine etc. which represents a big market potential.

### Environmental circumstances

It is an important policy of the company to always comply fully with the environmental legislation as well as within the commonly acknowledged standards. The company does not have production that can be characterized as having a heavy impact on the environment.

## Management's review

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Our most important contribution to a "greener" global environment springs from an increased use of our products. Our customers often use our products to reduce their environmental footprint. Moreover, we take care that our internal processes have less impact on the environment and at the same time are sustainable. We have a strong environmental focus and a systematic way of improving areas to gain maximum impact.

### **Report on social responsibility after The Danish Financial Statement Act § 99a**

Alfa Laval's Sustainability work is based on the group's Business Principles, that are to be found here: <https://www.alfalaval.com/globalassets/documents/about-us/sustainability/the-business-principles-of-alfa-laval.pdf>

At group level a Sustainability Reporting is made annually and in addition a GRI report is made. The report for 2021 is to be found here and is the compulsory report on social responsibility after The Danish Financial Statement Act 99a:

<https://www.alfalaval.com/globalassets/documents/investors/english/annual-reports/2022/alfa-laval-annual-report-2021.pdf>

Alfa Laval Copenhagen A/S adhere to the guidelines made by the group regarding observance of corporate social responsibility, including respect for human rights, social responsibility, and on the basis of the group policy to limit the negative climate impact as much as possible. Furthermore, there are strict demands on suppliers, so that Alfa Laval Copenhagen A/S secures, that they also show consideration for environment and health and safety.

### **Report on the gender composition of management after The Danish Financial Statement act § 99b**

The account on gender composition of management is part of the consolidated account for Alfa Laval AB, Lund, Sweden. This account can be requested by the company and information can be found at the group webpage, <https://www.alfalaval.com/globalassets/documents/investors/english/annual-reports/2022/alfa-laval-annual-report-2021.pdf> (page 73-75).

Being part of the global Alfa Laval group, Alfa Laval Copenhagen A/S wants a diverse and inclusive organization which creates a strong company and a good and innovative work environment. The composition of the board is determined at group level in accordance with the group's and thereby the company's general policy regarding "Alfa Laval is working to achieve equal career opportunities of for instance gender or ethnic origin". As of 31st of December 2021, the Board of Directors consisted of 3 general meeting elected members, of whom one is a woman.

Therefore, the objective of having gender diversity in the board of directors is met.

## Management's review

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The board members are not chosen based on their gender, but on their expertise within the industries Alfa Laval Copenhagen A/S operates within. The board will however include the target figure for the under-represented gender in the selection of new board members, with a view to meeting the target figures within the determined time frame. The general policy also applies for the remaining management levels, and Alfa Laval Copenhagen A/S has already several women in executive positions. In order to increase the number of women in remaining management levels and meet the target figures, Alfa Laval Copenhagen A/S has recent years put focus on the recruitment phase so that the under-represented gender is taken more into account. There has also been more focus on personal development for women including taking management positions during the last year. The number of female managers has increased during the last years from 25% to 30% in 2021.

Alfa Laval Copenhagen A/S aims through its employee composition to reflect the society and signal diversity. The company has at present around more than 30 different nationalities employed among its employees in Søborg.

### **Report on human rights and climate impact**

As a part of the Alfa Laval group the company must comply with the group policies regarding human rights and climate impact. For further account, reference is made to Alfa Laval's business principles <https://www.alfalaval.com/globalassets/documents/about-us/sustainability/the-business-principles-of-alfa-laval.pdf> and further to description in the annual report for Alfa Laval AB in the Sustainability report 2021 <https://www.alfalaval.com/globalassets/documents/investors/english/annual-reports/2022/alfa-laval-annual-report-2021.pdf>

### **Report on the company's policy on data ethics according to section 99 d of the Danish Financial Statements Act**

Alfa Laval Copenhagen A/S is working with data in alliance with the Alfa Laval Business Principles within the Compliance and Ethics Program valid for the Alfa Laval group. The headlines for working ethical around data in Alfa Laval are "Transparency" and "Trust". Working transparent and trustworthy with protection of personal data, safeguarding confidential business data, reporting financial data honestly and protection of Alfa Laval's assets. Policies and guidelines for working with data are in place.

Alfa Laval Copenhagen A/S is working with several types of data such as personal data, confidential business information - such as technical, financial and data about employees, customers, and business partners. For Alfa Laval data is a valuable asset and treated in a secure and confidential way. Use of new technologies are only used if in line with internal principles, policies and guidelines.

Employees are trained in working with data securely and in compliance with relevant legislations.

## Management's review

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### Events after the closing date

The current geopolitical situation generates a high level of uncertainty. Specific industries, customers and suppliers can be affected by the situation in Ukraine, increasing interest rates, pressure on prices, complex supply chain situation to mention some of the important changes globally. The current situation seems under control, but macroeconomic factors can impact future customer investments in production plants and thereby the demand for Alfa Laval equipment. Also the potential impact on suppliers and supply chain is notable.

No other circumstances that may have a significant impact on the assessment of the company's financial position as of 31st of December 2021 have occurred.

### Expected development 2022

The order backlog going into 2022 is high and the activity level within Food and Water applications is showing positive signals for future orders. The Energy business is in a positive development, so a total growth in invoicing of some 10% across the total business is expected in 2022. Alfa Laval's products support the global sustainable transition and holds as such a strong market position. However, due to the described geopolitical circumstances there is a high uncertainty in the market in general. The result for 2022 is difficult to predict due to the current global situation but is expected to be slightly improved compared to the level for 2021.



## Income statement 1 January - 31 December

DKK thousand.

Note	2021	2020
2 Revenue	883.456	911.067
Production costs	-723.412	-821.733
<b>Gross profit</b>	<b>160.044</b>	<b>89.334</b>
Distribution costs	-293.688	-272.248
Administration costs	-69.594	-73.072
Other operating income	226.375	187.929
Other operating costs	-73.939	-89.564
<b>Operating profit or loss</b>	<b>-50.802</b>	<b>-157.621</b>
4 Other financial income	4.497	2.074
5 Other financial costs	-10.265	-9.634
<b>Profit/loss before tax</b>	<b>-56.570</b>	<b>-165.181</b>
6 Tax on net profit or loss for the year	13.466	36.984
<b>7 Net profit or loss for the year</b>	<b>-43.104</b>	<b>-128.197</b>

## Balance sheet at 31 December

DKK thousand.

<b>Assets</b>			
Note		2021	2020
<b>Non-current assets</b>			
8	Licenses, trademarks, patents etc.	57.080	26.862
	Total intangible assets	57.080	26.862
9	Land and property	67.657	82.950
9	Production plant and machinery	3.741	2.109
9	Other plants, operating assets, and fixtures and furniture	20.547	15.282
9	Property, plant and equipment under construction	4.098	3.709
	Total property, plant, and equipment	96.043	104.050
	<b>Total non-current assets</b>	<b>153.123</b>	<b>130.912</b>
<b>Current assets</b>			
	Raw materials and consumables	81.820	78.069
	Work in progress	8.214	2.827
	Manufactured goods and goods for resale	2.842	3.388
	Total inventories	92.876	84.284
	Trade receivables	20.401	5.220
10	Contract work in progress	123.062	127.562
	Receivables from group enterprises	202.088	148.294
11	Deferred tax assets	2.867	7.588
	Income tax receivables	17.500	39.850
	Other receivables	17.889	12.842
12	Prepayments	18.101	7.121
	Total receivables	401.908	348.477
	Cash	77	65
	<b>Total current assets</b>	<b>494.861</b>	<b>432.826</b>
	<b>Total assets</b>	<b>647.984</b>	<b>563.738</b>

## Balance sheet at 31 December

DKK thousand.

Equity and liabilities			
Note		2021	2020
<b>Equity</b>			
13	Share capital	74.007	74.006
	Hedging reserve	102	-17
	Retained earnings	9.114	12.219
	<b>Total equity</b>	<b>83.223</b>	<b>86.208</b>
<b>Provisions</b>			
14	Other provisions	55.445	60.596
	<b>Total provisions</b>	<b>55.445</b>	<b>60.596</b>
<b>Long term liabilities other than provisions</b>			
	Lease liabilities	20.964	32.906
	Other payables	0	36.076
15	<b>Total long term liabilities other than provisions</b>	<b>20.964</b>	<b>68.982</b>
15	Current portion of long term liabilities	8.611	10.224
10	Prepayments received from customers concerning contract work in progress	33.203	13.005
	Trade payables	55.060	51.929
	Payables to group enterprises	299.875	142.973
	Other payables	91.603	129.821
	<b>Total short term liabilities other than provisions</b>	<b>488.352</b>	<b>347.952</b>
	<b>Total liabilities other than provisions</b>	<b>509.316</b>	<b>416.934</b>
	<b>Total equity and liabilities</b>	<b>647.984</b>	<b>563.738</b>
<b>1 Disclosures on fair value</b>			
<b>3 Employee costs</b>			
<b>16 Guaranties and securities</b>			
<b>17 Contingencies</b>			
<b>18 Related parties</b>			

## Statement of changes in equity

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DKK thousand.

	Contributed capital	Hedging reserve	Retained earnings	Total
Equity 1 January 2021	74.006	-17	12.219	86.208
Cash capital increase	1	0	39.999	40.000
Profit or loss for the year brought forward	0	0	-43.104	-43.104
Fair value adjustments of hedging instruments for the year	0	119	0	119
	<b>74.007</b>	<b>102</b>	<b>9.114</b>	<b>83.223</b>

## Notes

DKK thousand.

### 1. Disclosures on fair value

	<u>Derived financial instruments</u>
Fair value at 31 December 2021	147
Change in fair value of the year recognised in the equity	119

	<u>2021</u>	<u>2020</u>
<b>2. Revenue</b>		
Proces Technology	879.539	871.854
Marine & Diesel	3.917	39.213
	<u>883.456</u>	<u>911.067</u>
 Geographical areas		
Europe	479.087	516.899
America	214.838	173.084
Asia	143.098	184.676
Oceania & Africa	46.433	36.408
	<u>883.456</u>	<u>911.067</u>

## Notes

DKK thousand.

	2021	2020
<b>3. Employee costs</b>		
Salaries and wages	342.589	340.128
Pension costs	30.634	31.823
Other costs for social security	1.093	1.255
	<b>374.316</b>	<b>373.206</b>
Staff costs are recognised as follows in the income statement:		
Production costs	65.980	80.393
Distribution costs	266.132	247.904
Administration costs	42.204	44.909
	<b>374.316</b>	<b>373.206</b>
Average number of employees	452	480
Pursuant to section 98b(3)(ii) of the Danish Financial Statements Act, management remuneration is not disclosed.		
<b>4. Other financial income</b>		
Interest, group enterprises	4	18
Other interest and exchange differences	4.493	2.056
	<b>4.497</b>	<b>2.074</b>
<b>5. Other financial costs</b>		
Financial costs, group enterprises	3.435	2.597
Other financial costs	6.830	7.037
	<b>10.265</b>	<b>9.634</b>
<b>6. Tax on net profit or loss for the year</b>		
Tax of the results for the year	-17.533	-39.845
Adjustment for the year of deferred tax	4.721	2.887
Other taxes	-654	-26
	<b>-13.466</b>	<b>-36.984</b>

## Notes

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DKK thousand.

	<u>2021</u>	<u>2020</u>
<b>7. Proposed appropriation of net profit</b>		
Allocated from retained earnings	<u>-43.104</u>	<u>-128.197</u>
<b>Total allocations and transfers</b>	<u><b>-43.104</b></u>	<u><b>-128.197</b></u>
 <b>8. Licenses, trademarks, patents etc.</b>		
Cost 1 January 2021	35.077	8.095
Additions during the year	<u>32.916</u>	<u>26.982</u>
<b>Cost 31 December 2021</b>	<u><b>67.993</b></u>	<u><b>35.077</b></u>
 Amortisation and writedown 1 January 2021	-8.215	-8.095
Amortisation for the year	<u>-2.698</u>	<u>-120</u>
<b>Amortisation and writedown 31 December 2021</b>	<u><b>-10.913</b></u>	<u><b>-8.215</b></u>
 <b>Carrying amount, 31 December 2021</b>	<u><b>57.080</b></u>	<u><b>26.862</b></u>



## Notes

DKK thousand.

### 9. Property, plant and equipment

	Land and property	Production plant and machinery	Other plants, operating assets, and fixtures and furniture	Property, plant and equipment under construction
Cost 1. januar 2021	173.894	13.661	35.422	3.709
Additions during the year	3.506	2.158	7.402	4.098
Disposals during the year	-8.349	-237	-28	-3.709
<b>Cost 31 December 2021</b>	<b>169.051</b>	<b>15.582</b>	<b>42.796</b>	<b>4.098</b>
Revaluation 1. januar 2021	3.500	0	0	0
<b>Revaluation 31 December 2021</b>	<b>3.500</b>	<b>0</b>	<b>0</b>	<b>0</b>
Depreciation and writedown 1. januar 2021	94.444	11.551	20.140	0
Depreciation for the year	10.450	526	2.125	0
Depreciation, amortisation and writedown for the year, assets disposed of	0	-237	-15	0
<b>Depreciation and writedown 31 December 2021</b>	<b>104.894</b>	<b>11.840</b>	<b>22.250</b>	<b>0</b>
<b>Carrying amount, 31 December 2021</b>	<b>67.657</b>	<b>3.742</b>	<b>20.546</b>	<b>4.098</b>
Right of use assets are included with a carrying amount of	26.598		2.204	
Depreciation for the year on right of use assets	7.795		635	

## Notes

DKK thousand.

	31/12 2021	31/12 2020
Depreciation and amortisation is distributed as follows		
Production	331	1.328
Distribution	5.175	1.750
Administration	10.293	11.417
	<u>15.799</u>	<u>14.495</u>
<b>10. Contract work in progress</b>		
Sales value of the production of the period	468.410	475.742
Payments on account received	-378.551	-361.185
<b>Contract work in progress, net</b>	<u>89.859</u>	<u>114.557</u>
The following is recognised:		
Contract work in progress (Current assets)	123.062	127.562
Contract work in progress (Prepayments received)	-33.203	-13.005
	<u>89.859</u>	<u>114.557</u>
<b>11. Deferred tax assets</b>		
Deferred tax assets 1 January 2021	7.588	10.475
Deferred tax of the results for the year	-4.721	-2.887
	<u>2.867</u>	<u>7.588</u>
The following items are subject to deferred tax:		
Intangible assets	-2.111	-822
Property, plant, and equipment	540	580
Current assets	1.016	1.772
Provisions	3.220	5.881
Leases	202	177
	<u>2.867</u>	<u>7.588</u>
<b>12. Prepayments</b>		
Prepayments consists of prepaid costs, regarding 2022.		

## Notes

DKK thousand.

	31/12 2021	31/12 2020
<b>13. Share capital</b>		
Share capital 1 January 2021	74.006	74.005
Cash capital increase	<u>1</u>	<u>1</u>
	<b>74.007</b>	<b>74.006</b>

The share capital consists of 74.006 shares, each with a nominal value of DKK 1.

Change in contributed capital last 5 years:

Capital increase 2021	1
Capital increase 2020	1
Capital increase 2019	1
Capital increase 2018	1
Capital increase 2017	1

## 14. Other provisions

Warranty obligations	33.008	45.195
Provision for losses on work in progress for the account of others	<u>22.437</u>	<u>15.401</u>
	<b>55.445</b>	<b>60.596</b>
Maturity is expected to be:		
0-1 years	52.538	56.769
1-5 years	<u>2.907</u>	<u>3.827</u>
	<b>55.445</b>	<b>60.596</b>

## 15. Liabilities other than provisions

	Total payables 31 Dec 2021	Current portion of long term payables	Long term payables 31 Dec 2021	Outstanding payables after 5 years
Lease liabilities	<u>29.575</u>	<u>8.611</u>	<u>20.964</u>	<u>0</u>
	<b>29.575</b>	<b>8.611</b>	<b>20.964</b>	<b>0</b>

Leasing liabilities have a interest of 1,75 - 2,00 %.

## Notes

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DKK thousand.

### 16. Guaranties and securities

Guarantees have been provided to customers for security of payments and contractual execution of signed sales contracts of DKK 24.789 thousand (2020: DKK 11.069 thousand).

The company has entered into forward exchange contracts in foreign currency to hedge commercial currency allocations, corresponding to a purchase value of DKK -6.8 million (2020: DKK -0.8 million). At the balance sheet date, the contracts have a fair value before tax of DKK 188 thousand (2020: DKK 36 thousand). For the year a profit after tax of DKK 119 thousand is recognized (2020: DKK -17 thousand).

### 17. Contingencies

#### Contingent liabilities

	31/12 2021	31/12 2020
	t.kr.	t.kr.
Lease liabilities	2.609	2.043
<b>Total contingent liabilities</b>	<b>2.609</b>	<b>2.043</b>

Lease liabilities comprise of minor and short term lease.

#### Joint taxation

With Alfa Laval Kolding A/S, company reg. no 30938011 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

### 18. Related parties

#### Controlling interest

Related parties with controlling interest include the parent company Alfa Laval Kolding A/S, Albuen 31, Kolding, Denmark and ultimate parent Alfa Laval Corporate AB, Rudeboksvägen 1, Lund, Sweden. Other related parties are also consolidated entities in the Alfa Laval Group.

## Notes

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DKK thousand.

### Transactions

In addition to the payment of ordinary executive fees, there have been no transactions with the company's management.

The company purchases a significant proportion of goods and services for the company's sales from other group entities. The company also sells a significant portion of its products through group entities.

Primary related group transactions:

	2021 t.kr.	2020 t.kr.
Sales to parent company	56	60
Sales to other group entities	828.315	859.772
Royalty	122.143	95.377
Sale of assets to Krakow	0	2.371
Purchases from parent company	19.076	19.883
Purchases from other group entities	379.510	388.654

### Consolidated financial statements

Alfa Laval Copenhagen A/S is included in the consolidated financial statements of Alfa Laval AB, Sweden, which is the largest in which the company is a subsidiary. The consolidated annual report can be obtained at the group headquarters, Rudeboksvägen 1, Lund, Sweden or at [www.alfalaval.com](http://www.alfalaval.com).

## Accounting policies

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The annual report for Alfa Laval Copenhagen A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (large enterprises).

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Pursuant to section 86(4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of Alfa Laval Corporate AB, Lund, Sweden.

Pursuant to section 96(3) of the Danish Financial Statements Act, the financial statements do not disclose information about fees to the auditor appointed at the annual general meeting. The fees are disclosed in the consolidated financial statements of Alfa Laval Corporate AB, Lund, Sweden.

### Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

### Intercompany transfer of activities

Pure Ballast activity has been transferred in June 2019 to Alfa Laval Aalborg A/S at net booked value. The book-value method was used at the transfer.

### Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.



## Accounting policies

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### Derivatives

At their initial recognition, derivatives are recognised at cost in the statement of financial position. Hereafter, they are measured at fair value. Positive and negative fair values of derivatives are recognised under other receivables and payables, respectively.

Changes in the fair value of derived financial instruments classified as and meeting the criteria for hedging the fair value of a recognised asset or a recognised liability are recognised in the income statement together with changes in the fair value of the hedged asset or the hedged liability.

### Income statement

### Segmental statement

Information on activity and geographical markets is provided. The segment information follows the accounting policies for the group, risks and internal financial controlling.

### Revenue

The company is applying IFRS 15 as its basis of interpretation for the recognition of revenue.

The revenue is recognised when the control of the identifiable individual performance obligations has been performed in respect of the customer whereby the customer gains control of the asset or the service. Sales remunerations are allocated proportionally to the individual performance obligations in the agreement.

Revenue from service contracts is recognised on a linear basis over the period during which the service is performed.

Revenue is measured at fair value of agreed remunerations, less VAT and expenses. All forms of discount are recognised in revenue.

Revenue from contracts, including variable considerations such as quantity discounts and performance-related payments are recognised at the most probable consideration value. Revenue is not recognised until it is deemed most likely that changes in the estimated variable consideration will not subsequently result in the reversal of a material part of the amount, thus reducing revenue.

### Production costs

Production costs include the manufacturing and procurement costs incurred to achieve the revenue for the year. Direct and indirect manufacturing costs are recognised, including costs for raw materials and consumables, wages and salaries, energy consumption, maintenance, leasing and depreciation on production facilities, with adjustments for changes in finished goods inventories and work in progress.



## Accounting policies

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### **Distribution costs**

Distribution costs comprise costs incurred for the distribution of goods sold during the year and for sales campaigns carried out during the year. Also, costs concerning sales staff, advertising and exhibitions costs, and amortisations.

### **Administration costs**

Administration costs comprise expenses incurred during the year concerning management and administration, including expenses concerning administrative staff, the executive board, office premises, stationery and office supplies, and depreciations.

### **Cost of sales**

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

### **Other operating income**

Other operating income comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including royalty income, gains on disposal of intangible and tangible fixed assets

### **Other operating costs**

Other operating costs comprise items of secondary nature as regards the principal activities of the enterprise, including losses on the disposal of intangible and tangible assets.

### **Financial income and expenses**

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

### **Tax on net profit or loss for the year**

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

## Accounting policies

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### Statement of financial position

#### Intangible assets

##### Licenses, trademarks and similar rights

Licenses, trademarks and similar rights are measured at cost with deduction of accrued amortisation. Trademarks and similar rights are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a maximum of 10 years.

Gain and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale. Gain or loss are recognised in the profit and loss account as other operating income or other operating expenses respectively.

##### Property, plant, and equipment

Property is measured at cost plus revaluations and less accrued depreciation and writedown for impairment. Land is not subject to depreciation.

Property is revaluated on the basis of regular, independent fair-value assessments. Net revaluation at fair value adjustment is recognised directly in equity less deferred tax and tied up in a particular revaluation reserve. Net impairment loss at fair value adjustment is recognised in the income statement.

The depreciable amount is cost plus revaluations at fair value less expected residual value after the end of the useful life of the asset. The amortisation period is fixed at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

Reversal of previous revaluations and recognised deferred taxes concerning revaluations are recognised directly in company equity.

Other property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

## Accounting policies

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The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Buildings	10-40 years
Plant and machinery	7-15 years
Other fixtures and fittings, tools and equipment	3-15 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

### Property, plant, and equipment under construction

Property, plant, and equipment under construction are measured and recognised as the total costs incurred. When the work has been completed, the total value is transferred to the relevant item under property, plant, and equipment and is amortised from the date of entry into service.

### Right-of-use assets

The enterprise is applying IFRS 16 as its basis of interpretation for the recognition of classification and recognition of leases.

Leases pertaining to property, plant, and equipment for which the enterprise has the right-of-use are recognised in the statement of financial position as right-of-use assets. The assets are, at initial recognition, measured at imputed cost, consisting of:

- The imputed lease liability
- Any lease payments paid prior to – or on – the starting date, less any lease incentives received
- Any direct start-up costs
- Any restoring costs

Hereafter, recognised leased assets are treated like the enterprise's remaining property, plant, and equipment.

Lease liabilities are recognised in the statement of financial position as liabilities other than provision and are measured, at initial recognition, at the present value of lease payments payable over the lease term. This includes a purchase option in the event that the enterprise expects to purchase the right-of-use asset. When determining the present value, the internal rate of return or, alternatively, the enterprise's borrowing rate is applied as discount rate.

## Accounting policies

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Hereafter, the lease liability is treated like the remaining financial liabilities, i.e. at amortised cost.

The interest element of the lease payments is recognised in the income statement over the contractual term.

The following leases are not recognised as assets and liabilities in the statement of financial position:

- Leases with a duration of twelve months or less (short leases)
- Leases where the replacement value of the asset is less than DKK 30,000. (low-value assets)

For such leases, the lease payment is recognised in the income statement as an expense on a linear basis over the lease term.

### **Impairment loss relating to non-current assets**

The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

### **Inventories**

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

### **Receivables**

Receivables are measured at amortised cost, which usually corresponds to nominal value.



## Accounting policies

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In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

### **Contract work in progress**

Contract work in progress is measured at the selling price of the work performed, however with deduction of invoicing on account and expected losses. Contract work in progress is characterised by the manufactured goods featuring a high level of individualisation in the design. Furthermore, it is a requirement that before work is commenced, a binding contract is to be entered into, implying penalty or damages in case of subsequent cancellation.

The selling price is measured on the basis of the stage of completion on the balance sheet date and the total expected income from the individual contracts. The stage of completion is determined on the basis of an evaluation of the work performed, usually determined as the ratio of the costs incurred to the total expected cost of the contract in question.

When it is probable that the total contract costs will exceed the total contract revenue, the expected contract loss is immediately recognised as costs and provisions.

If the results of a contract can not be estimated reliably, the selling price is only recognised on a cost basis, however, to the extent that it is probable that the costs will be recovered.

Contracts for which the selling price of the work performed exceeds invoicing on account and expected losses are recognised as trade debtors. Contracts for which invoicing on account and expected losses exceed the selling price are recognised as liabilities.

Prepayments from customers are recognised under liabilities.

## Accounting policies

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Costs in connection with sales work and the achievement of contracts are recognised in the income statement when incurred.

### Prepayments

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

### Cash

Cash comprise cash at bank and on hand.

### Equity

#### Share capital

Share capital comprises premium payments made in connection with the issue of shares. Costs incurred for carrying through an issue are deducted from the premium.

The premium reserve can be used for dividend, for issuing bonus shares, and for covering losses.

#### Reserve for hedging transactions

The reserve for hedging transactions arises when hedging instruments are subject to fair value adjustments.

The reserve is dissolved once the value adjustments have been applied or reversed.

The reserve is distributable.

#### Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Income tax receivable" or "Income tax payable".

According to the rules of joint taxation, Alfa Laval Copenhagen A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.



## Accounting policies

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Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

### Other provisions

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the company has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the company.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

### Liabilities

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Also, capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.