AGRAMKOW

AGRAMKOW Fluid Systems A/S

Augustenborg Landevej 19, 6400 Sønderborg
CVR no. 12 24 55 99

Annual Report 2018

Annual Report was presented and approved at the Annual General Meeting

Sønderborg, 28 March 2019

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Ralf Werner Dieter
Chairman

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Company details

AGRAMKOW Fluid Systems A/S
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Website:	www.agramkow.com
E-mail:	agramkow@agramkow.com
CVR no.:	12 24 55 99
Established:	1 January 1988
Registered office:	Sønderborg
Financial year:	2018

Board of Directors

Ralf Werner Dieter, Chairman
Susanne Schlegel
Kjeld Jørgen Kückelhahn
Bjarne Ravn Sørensen

Executive Board

Bjarne Ravn Sørensen, CEO

Auditors

Ernst & Young P/S
Nørre Havnegade 43
DK-6400 Sønderborg
CVR no. 30 70 02 28

Annual general meeting

The annual general meeting is to be held on 28 March 2018.

Management's review

Financial highlights

DKKm	2018[1)]	2017[2)]	2016[3)]	2015[3)]	2014[3)]
Key figures					
Revenue	**204,3**	**199,7**	**261,4**	**210,5**	**178,8**
Gross profit	104,5	76,9	96,9	80,3	68,6
Ordinary operating profit	29,8	-7,7	15,0	4,5	3,8
Financial income and expenses	-4,9	-1,6	-10,6	-6,2	-7,7
Profit for the year	**16,1**	**-14,0**	**10,2**	**-8,7**	**0,5**
Non-current assets	168,5	183,4	203,9	193,7	207,8
Current assets	80,5	117,5	173,2	138,8	121,1
Total assets	**249,0**	**300,9**	**377,1**	**332,5**	**328,9**
Share capital	10,8	10,8	10,8	10,8	10,8
Equity	**67,4**	**51,9**	**68,2**	**64,3**	**73,1**
Provisions	9,7	13,9	17,3	13,0	11,2
Non-current liabilities other than provisions	51,6	71,6	97,9	124,1	145,4
Current liabilities other than provisions	120,3	163,5	193,7	131,1	99,2
Cash flows from operating activities	**10,2**	**33,0**	**22,0**	**9,6**	**9,7**
hereof before financial expenses, net and tax	22,9	35,1	35,8	17,2	18,6
Cash flows from investing activities	**12,6**	**-5,0**	**-26,8**	**-7,6**	**-6,8**
hereof investment in intangible assets	-7,1	-4,5	-3,8	-6,1	-5,2
hereof sales of intangible assets	20,2	0,0	0,0	0,0	0,3
hereof investment in equipment	-0,5	-0,5	-1,3	-1,6	-2,3
hereof sales of equipment	0,0	0,0	0,0	0,1	0,4
hereof investment in foreign subsidiaries	0,0	0,0	-21,7	0,0	0,0
Cash flows from financing activities	**-29,4**	**-36,0**	**16,0**	**-4,5**	**4,0**
hereof financed by parent company and affiliates	-36,8	-39,7	14,0	-4,5	3,0
hereof dividend received from foreign subsidiaries	7,4	3,7	2,0	0,0	1,0
Total cash flows	**-6,6**	**-8,0**	**11,2**	**-2,5**	**6,9**
Financial ratios					
Operating margin	**14,6**	**-3,9**	**5,7**	**2,1**	**2,1**
Return on invested capital	10,8	-2,3	4,2	1,4	1,2
Gross margin	**51,2**	**38,5**	**37,1**	**38,1**	**38,4**
Current ratio	66,9	71,9	89,4	105,9	122,1
Solvency ratio	**27,1**	**17,2**	**18,1**	**19,3**	**22,2**
Return on equity	27,0	-23,3	15,4	-12,7	0,7
Average number of full-time employees	**103**	**116**	**119**	**117**	**106**

Financial ratios have been calculated in accordance with the recommendations of the Danish Financial Association.

For terms and definitions, please see the accounting policies.

1) The figures are adapted to the effect of change in accounting policies, including the interpretation of IFRS 9 and IFRS 15. See more in note 20.

2) The figures are adapted to the effect of change in accounting policies, including the interpretation of IFRS 15. See more in note 20.

3) The figures are not adapted to the effect of change in accounting policies.

Management's review

Operating review

Principal activities of the Company

AGRAMKOW Fluid Systems A/S (www.agramkow.com) develops, manufactures and markets high-tech processing equipment for the appliance and automotive industries and solutions for environmental projects under the Montreal and Kyoto protocols.

Equipment and solutions for the appliance manufacturers comprise, among other things, integrated vacuum, leak detection and fluid fill systems as well as test and data collection systems for refrigerator, freezer and air conditioning factories worldwide. Fluid fill and data collection systems are supplied to car manufacturers. Equipment for the appliance and automotive industries is developed and manufactured in Sønderborg (DK) and marketed globally through AGRAMKOW partners, wholly-owned subsidiaries and affiliates (Schenck companies):

- AGRAMKOW Asia Pacific Pte. Ltd. (subsidiary), Singapore
- AGRAMKOW do Brasil Ltda (subsidiary), Brazil
- AGRAMKOW UK (branch), Great Britain
- Schenck RoTec GmbH (sales and service office), Germany
- Schenck RoTec Corp. (sales and service office), United States
- Schenck RoTec India Ltd. (sales and service office), India
- Schenck Shanghai Machinery Corp. Ltd. (sales, service, R&D and production facilities), China
- Schenck México S.A. de C.V. (sales and service office), Mexico

New accounting policies in 2018

Since the Act on amendment of the Danish Financial Statements Act was adopted on 20 December 2018, the company has chosen to apply the new international accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers when interpreting the Danish Financial Statements Act. See more in note 20.

Development in activities and financial position

The Company has in 2018 generated a revenue of DKK 204.3 million against DKK 199.7 million in 2017.

At the beginning of 2018 activities within automotive was transferred to the German affiliated company Dürr Somac GmbH for the value of DKK 20.0 million.

A preliminary insurance coverage of DKK 9.7 million has been booked in relation to the fraud committed by the Director in the Brazilian subsidiary where the expenses were reported in 2017.

At the end of 2018 the activities and employees in the branch in Great Britain were transferred to the affiliated company Schenck Limited in Great Britain. The branch will be closed in 2019 when all ongoing projects are completed.

Within the appliance industry AGRAMKOW has maintained its market share and has in the financial year received bigger projects from Whirlpool in the US and Mexico.

Profit/loss for the year

AGRAMKOW reported satisfactory result for 2018 due income from transfer of automotive business and partly insurance coverage of fraud committed in the Brazilian subsidiary and thereby exceed the expectations from last year's report.

Profit for the year came in at DKK 16.1 million as against DKK -14.0 million (loss) in 2017.

Equity closed at DKK 67.4 million before the distribution of dividends, which is equivalent to a solvency ratio of 27.1%. During the financial year an exchange adjustments in respect of foreign subsidiaries had a negative impact of DKK 0.1 million on equity.

During the financial year, capitalized product development amounts to DKK 7.1 million against DKK 5.4 million in 2017. AGRAMKOW continuously invests heavily in product development, and several interesting products and concepts are in the pipeline for 2019.

Significant post-balance sheet events

No significant post-balance sheets events have occurred.

Management's review

Outlook

Based on the backlog and expected new orders the Management expect that the profit in 2019 will decrease to a level between DKK 10-20 million.

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of AGRAMKOW Fluid Systems A/S for the financial year 1 January - 31 December 2018.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2018.

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

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

Sønderborg, 28 March 2019

Executive Board:

Bjarne Ravn Sørensen
CEO

Board of Directors:

Ralf Werner Dieter Chairman	Susanne Schlegel	Kjeld Jørgen Kückelhahn
Bjarne Ravn Sørensen		

Independent auditor's report

To the shareholders of AGRAMKOW Fluid Systems A/S.

Opinion

We have audited the financial statements of AGRAMKOW Fluid Systems A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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 2018 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2018 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' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 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.

Independent auditor's report

- 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

Independent auditor's report

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.

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.

Sønderborg, 28 March 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Thorbjørn Bruhn
State Authorised
Public Accountant
mne23305

Financial statements for the period 1 January – 31 December

Income statement

DKK'000	Note	2018	2017
Revenue		204.260	199.688
Changes in inventories of finished goods and work in progress		556	-1.653
Other operating income		32.949	956
Raw materials and consumables		-108.557	-96.044
Other external costs		-24.673	-26.050
Gross profit		104.535	76.897
Staff costs	1	-59.865	-69.519
Other operating expenses		0	-331
Amortisation and depreciation	2	-14.876	-14.707
Operating profit		29.794	-7.660
Profit/loss from foreign subsidiaries		-999	-4.198
Financial income and expenses	3	-4.935	-1.561
Profit before tax		23.860	-13.419
Tax on profit for the year	4	-7.790	-537
Profit for the year		16.070	-13.956
Proposed profit appropriation	11		

Financial statements for the period 1 January – 31 December

Balance sheet - Assets

DKK'000	Note	2018	2017
ASSETS			
Non-current assets			
Intangible assets	5		
Completed development projects		10.430	5.400
Goodwill		147.733	158.096
Development projects in progress		3.074	4.761
		161.237	168.257
Property, plant and equipment	6		
Leasehold improvements		219	410
Fixtures and fittings, tools and equipment		1.226	1.528
		1.445	1.938
Investments	7		
Investments in foreign subsidiaries		5.772	13.215
		5.772	13.215
Total non-current assets		168.454	183.410
Current assets			
Inventories			
Raw materials and consumables		8.943	8.412
Work in progress		3.572	4.651
Finished goods		3.020	1.385
Prepayments for goods		0	1.431
		15.535	15.879
Receivables			
Trade receivables		29.051	55.027
Contract assets	8	7.323	19.427
Amounts owed by foreign subsidiaries and affiliates		8.977	9.981
Other receivables		13.479	5.035
Prepayments	9	800	175
		59.630	89.645
Cash at bank and in hand		5.353	11.961
Total current assets		80.518	117.485
TOTAL ASSETS		248.972	300.895

Financial statements for the period 1 January – 31 December

Balance sheet - Equity and Liabilities

DKK'000	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Share capital	10	10.800	10.800
Reserve for development costs		10.396	5.101
Retained earnings	11	46.153	36.016
Dividend proposed for the financial year		0	0
Total equity		67.349	51.917
Provisions			
Deferred tax	12	7.985	12.112
Other provisions	13	1.700	1.800
Total provisions		9.685	13.912
Non-current liabilities			
Amounts owed to parent company		51.608	71.608
Long-term liabilities		51.608	71.608
Current liabilities			
Work contract liabilities	8	8.423	32.015
Trade payables		15.030	18.563
Amounts owed to parent company, foreign subsidiaries and affiliates		69.780	86.016
Corporation tax		13.226	5.591
Other payables		13.871	21.273
Short-term liabilities		120.330	163.458
Total liabilities other than provisions		171.938	235.066
TOTAL EQUITY AND LIABILITIES		248.972	300.895

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Financial statements for the period 1 January – 31 December

Statement of changes in equity

DKK'000	Note	Share capital	Reserve for develop-ment costs	Retained earnings	Total
Equity at 1 January 2017		10.800	2.953	54.449	68.202
Changing of accounting policies, IFRS 15		0	0	758	758
Tax effect, IFRS 15		0	0	-167	-167
Adjusted equity at 1 January 2017		10.800	2.953	55.040	68.793
Exchange adjustment of foreign subsidiaries		0	0	-2.630	-2.630
Transferred of profit for the year		0	2.148	-16.104	-13.956
Equity at 1 January 2018		10.800	5.101	36.306	52.207
Changing of accounting policies, IFRS 9		0	0	-372	-372
Tax effect, IFRS 9		0	0	82	82
Adjusted equity at 1 January 2018		10.800	5.101	36.016	51.917
Exchange adjustment of foreign subsidiaries		0	0	-100	-100
Value adjustment of hedging instruments		0	0	-690	-690
Tax effect, hedging instruments		0	0	152	152
Transferred of profit for the year	11	0	5.295	10.775	16.070
Equity at 31 December 2018		10.800	10.396	46.153	67.349

Financial statements for the period 1 January – 31 December

Cash flow statement

DKK'000	Note	2018	2017
Operating profit		29.794	-7.660
Sales of intangible assets		-20.000	0
Reversal of amortisation/depreciation and impairment of disposals		0	331
Depreciation and amortisation		14.876	14.707
Financial expenses, net		-4.935	-1.561
Tax on profit for the year		-7.790	-537
Changes in foreign subsidiaries		-1.104	0
Cash flows from operations (operating activities) before changes in working capital	16	10.841	5.280
Changes in working capital	17	-666	27.760
Cash flows from operating activities		10.175	33.040
Acquisition of intangible assets		-7.136	-4.500
Sales of intangible assets		20.239	0
Acquisition of equipment		-468	-540
Adjustments of non-cash of non-current assets		2	-2
Cash flows from investing activities		12.637	-5.042
Amounts owed to parent company, subsidiaries and affiliated companies		-36.868	-39.669
Dividends received from foreign subsidiaries		7.448	3.718
Cash flows from financing activities		-29.420	-35.951
Net cash flows for the year	18	-6.608	-7.953
Cash and cash equivalents at 1 January		11.961	19.914
Cash and cash equivalents at 31 December		5.353	11.961

Financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK'000	2018	2017

1 Staff costs

Wages and salaries	54.285	62.488
Pensions	3.721	3.908
Other social security costs	950	1.213
Other staff costs	909	1.910
	59.865	69.519
Remuneration to members of management:		
Executive Board	1.842	1.889
Board of Directors	26	286
	1.868	2.175
Average number of full-time employees	103	116

2 Amortisation and depreciation

Development projects, see note 5	3.554	3.193
Goodwill, see note 5	10.363	10.363
Leasehold improvements, see note 6	191	217
Fixtures and fittings, tools and equipment, see note 6	768	934
	14.876	14.707

3 Financial income and expenses

Financing income	4	5
Exchange adjustments	-4.020	3.850
Financing expenses	-213	-358
Financing expenses, parent company	-706	-5.058
	-4.935	-1.561

4 Tax on the profit for the year

Tax former years	126	-989
Estimated tax charge for the year	-11.890	-2.440
Deferred tax former years	489	938
Changes in provisions for deferred tax	3.485	1.954
	-7.790	-537

Financial statements for the period 1 January – 31 December

Notes to the financial statements

5 Intangible assets

DKK'000	Completed Developm. projects	Developm. projects in progress	Goodwill	Total
Cost at 1 January 2018	33.765	4.761	207.252	245.778
Additions for the year	4.553	2.583	0	7.136
Disposals for the year	-70	-239	0	-309
Transfers	4.031	-4.031	0	0
Cost at 31 December 2018	42.279	3.074	207.252	252.605
Amortisation at 1 January 2018	28.365	0	49.156	77.521
Amortisation for the year	3.554	0	10.363	13.917
Reversal of amortisation/depreciation and impairment of disposals	-70	0	0	-70
Amortisation at 31 December 2018	31.849	0	59.519	91.368
Carrying amount at 31 December 2018	10.430	3.074	147.733	161.237
Amortised over	3-5 years		20 years	

6 Equipment

DKK'000	Fixtures and fittings tools, etc.	Leasehold improve-ments	Total
Cost at 1 January 2018	6.564	1.297	7.861
adjustments at 1 January 2018	-2	0	-2
Additions for the year	468	0	468
Disposals for the year	-152	0	-152
Cost at 31 December 2018	6.878	1.297	8.175
Amortisation at 1 January 2018	5.036	887	5.923
Amortisation for the year	768	191	959
Reversal of amortisation/depreciation and impairment of disposals	-152	0	-152
Amortisation at 31 December 2018	5.652	1078	6.730
Carrying amount at 31 December 2018	1.226	219	1.445
Amortised over	3-6 years	5 years	

Financial statements for the period 1 January – 31 December

Notes to the financial statements

7 Investments

DKK'000

	2018
	Foreign subsidiaries
Cost at 1 January 2018	43.007
Additions	0
Cost at 31 December 2018	43.007
Retained earnings and other adjustments at 1 January 2018	-29.792
Exchange adjustment	-100
Profit for the year after tax	-999
Dividend to parent company	-7.448
Transferred	1.104
Value adjustments at 31 December 2018	-37.235
Carrying amount at 31 December 2018	5.772

Subsidiaries:

- AGRAMKOW Asia Pacific Pte. Ltd., 100G Panjang Road, #3-01/02 Interlocal Centre, Singapore
  Wholly owned share capital SGD 500.000 (100%)
- AGRAMKOW do Brasil Ltda, Alameda Ezequiel Mantoanelli, 405, Indaiatuba - São Paulo, Brazil
  Wholly owned share capital BRL 6.847.169 (100%)

Financial statements for the period 1 January – 31 December

Notes to the financial statements

8 Contract assets and liabilities

DKK'000	2018	2017
Sales value of work done	92.826	79.913
Received prepayments	-93.926	-92.501
	-1.100	-12.588

It can be classified as follows:

Construction contracts (net assets)	7.323	19.427
Construction contracts (net liabilities)	-8.423	-32.015
	-1.100	-12.588

9 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent DKK 147 thousand, insurance policies DKK 145 thousand, software DKK 446 thousand and other DKK 62 thousand.

10 Share capital

The Company does not issue any share certificates.

The Company's share capital is DKK 10.800 thousand divided into shares of DKK 1 thousand each.

The share capital is in 2018 divided into nominally DKK 5.940 thousand in A-shares with serial numbers 1-5.000 and 9.861-10.800 (the "A-shares") and nominally DKK 4.860 thousand in B-shares with serial numbers 5.001-9.860 (the "B-shares").

Each A- and B-share amount of DKK 1 thousand entitle the shareholder to one vote.

There have been no changes in share capital during the last 5 years.

11 Proposed profit appropriation

DKK'000	2018	2017
Reserve for development costs	5.295	2.148
Retained earnings	10.775	-16.104
	16.070	-13.956

12 Deferred tax

DKK'000	2018	2017
Deferred tax at 1 January	11.622	14.820
Deferred tax adjustment	-3.485	-2.708
Deferred tax adjustment of hedging instruments	-152	0
Deferred tax at 31 December	7.985	12.112

Deferred tax relates to:

Intangible assets	2.971	2.235
Equipment	-272	-249
Current assets	5.438	10.126
Hedging instruments	-152	0
	7.985	12.112

Financial statements for the period 1 January – 31 December

Notes to the financial statements

13 Other provision

The Company provides 2 years warranty on certain products.

A provision of DKK 1.700 thousand (2017: DKK 1.800 thousand) has been recognised for expected warranty requirements based on previous experience regarding the level of repairs and return of items.

14 Contingent liabilities, collateral, etc.

Contingent liabilities

DKK'000	2018	2017
The contingent liabilities are specified as follows:		
Operating lease payments with a maximum maturity of 5 years totals	3.844	6.693

Collateral

The bankers of the Company have issued performance and payment bonds of a total of DKK 6.771 thousand.

Tenancy commitment

The Company has a tenancy commitment of DKK 2.612 thousand with a notice period of 12 months.

Joint taxation

The Company is jointly taxed with its Danish affiliated company. As management company, the Company has joint and several unlimited liabilities, together with the affiliated companies, for all Danish income taxes and withholding taxes on dividend, interest and royalties within the group of jointly taxed entities.

15 Related parties

Parties exercising control

- Parent Carl Schenck AG, Landwehrstr. 55, 64293 Darmstadt (Amtsgericht Darmstadt HRB 1732), Germany (www.schenck.net)
- Parent Dürr AG, 74321 Bietigheim-Bissingen (Amtsgericht Stuttgart 13677), Germany (www.durr.com)

Ultimate parent company's consolidated financial statements

Requisition of the ultimate parent company's financial statements are available on the following address:

- Dürr AG, 74321 Bietigheim-Bissingen, Germany (http://www.durr.com/investor/financial-reports/annual-report/)

Related party transactions

Transactions with subsidiaries and affiliates have been incorporated in the financial statements in accordance with transfer pricing.

The company has had the following transaction with related parties:

DKK'000	2018	2017
Sale of goods and services to foreign subsidiaries	19.324	30.821
Sale of goods and services to affiliates	20.423	15.535
Expenses Management fee to parent company	3.230	3.324
Financing expenses, parent company	706	5.058
Cost reimbursement to foreign subsidiaries	3.144	4.292
Cost reimbursement to affiliates	5.139	3.392

Financial statements for the period 1 January – 31 December

Notes to the financial statements

Related party transactions (continued)

DKK'000	2018	2017
Amounts owed by foreign subsidiaries	4.994	2.139
Amounts owed to foreign subsidiaries	141	762
Amounts owed by affiliates	3.983	7.842
Amounts owed to affiliates	49.308	57.914
Amounts owed to parent company	71.939	98.948

Information about remuneration to management

Information about remuneration to management appears from note 1, 'Staff costs'

Ownership/shareholders

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

- Carl Schenck AG, Landwehrstr. 55, 64293 Darmstadt (Amtsgericht Darmstadt HRB 1732), Germany (www.schenck.net)

DKK'000	2018	2017

16 Cash generated from operations (operating activities) before changes in working capital

	2018	2017
Revenue and other operating income	237.765	199.006
Sales of intangible assets	-20.000	0
Costs, financial income/-expenses and tax on profit for the year	-220.696	-208.764
Depreciation and amortisation	14.876	14.707
Reversal of amortisation/depreciation and impairment of disposals	0	331
Changes in foreign subsidiaries (transferred)	-1.104	0
	10.841	5.280

17 Changes in working capital

	2018	2017
Changes in inventories	344	10.567
Changes in trade receivables and other receivables	18.543	-2.183
Changes in contract work in progress	-11.488	18.775
Changes in prepayments, trade and other payables	-3.300	3.707
Changes in non-current liabilities	-4.227	-3.408
Other adjustments	-538	302
	-666	27.760

18 Net cash flows for the year

	2018	2017
Cash flows from operating activities	10.175	33.040
Cash flows from investing activities	12.637	-5.042
Cash flows from financing activities	-29.420	-35.951
	-6.608	-7.953

19 Derivative financial instruments

	Contractual value		Gains and losses	
DKK'000	2018	2017	2018	2017
Exchange transactions (hedging)	77.617	78.691	-693	-294

Financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies

Change in accounting policies

With effect from 1 January 2018, the company has chosen to change its accounting policies, including the interpretation of IFRS 9 Financial Instruments using the expected credit-loss-model and the interpretation of IFRS 15 Revenue from Contracts with Customers, including revenue recognition.

The most significant changes by using the interpretation of IFRS 9 had an impact on the company's impairment of financial assets measured at amortized cost. For receivables from sales and other contract assets, including value of construction contracts, the interpretation of IFRS 9's simplified expected credit-loss-model is applied, after which the total expected loss is recognized immediately.

The consequence of using IFRS 9's expected credit-loss-model is increased provision for losses of DKK 372 thousand before tax with a deferred tax effect of DKK 82 thousand, which is recognized in retained earnings in the company's adjusted equity on 1 January 2018 without adjustment of comparative figures, in accordance with the transitional condition in IFRS 9.

Changing the accounting policies by using the interpretation of IFRS 15 replaces the previous interpretation (IAS11 and IAS 18) and introduces a new model for recognition and measurement of sales related to sales contracts with customers. The most significant changes in relation to previous practice:

- Revenue relating to certain of the company's construction contracts, which had previously been recognized over time according to the production method, must in the future be recognized sooner or later in the income statement depending on the type of contract, etc., because the control transition will take place at a different time (either over time or at a certain time) after the new standard.
- The new requirements for estimates and assessments of, for example, variable remuneration, identification of sales contracts' sub-components, etc. has affected the amount and / or time of recognition of revenue relating to major construction contracts.

Explanation of the accounting effect of change in accounting policies:

	31 December 2017				1 January 2017		
DKK'000	Prev. policies	Effect of change in revenue recognition	Effect of change in credit-loss-model	New policies	Prev. policies	Effect of change in revenue recognition	New policies
ASSETS							
Trade receivables	52.377	2.894	-244	55.027	72.923	18.439	91.362
Contract work in progress	18.717	804	-94	19.427	33.395	1.065	34.460
Other receivables	4.079	980	-24	5.035	5.468	883	6.351
Cash at bank and in hand	11.971	0	-10	11.961	19.957	0	19.957
TOTAL ASSETS	296.589	4.678	-372	300.895	377.146	20.387	397.533
EQUITY AND LIABILITIES							
Equity							
Retained earnings	34.279	2.027	-290	36.016	54.449	591	55.040
Total equity	50.180	2.027	-290	51.917	68.202	591	68.793
Provisions							
Deferred tax	11.622	572	-82	12.112	14.820	167	14.987
Total provisions	13.422	572	-82	13.912	17.320	167	17.487
Current liabilities							
Work in progress for third party	31.182	833	0	32.015	27.208	17.581	44.789
Other payables	20.027	1.246	0	21.273	24.814	2.048	26.862
Short-term liabilities	161.379	2.079	0	163.458	193.748	19.629	213.377
Total liabilities other than provisions	232.987	2.079	0	235.066	291.624	19.629	311.253
TOTAL EQUITY AND LIABILITIES	296.589	4.678	-372	300.895	377.146	20.387	397.533

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20 Accounting policies (continued)

Change in accounting policies (continued)

Explanation of the accounting effect of change in accounting policies:

	1 January – 31 December 2017		
DKK'000	Prev. account. policies	Effect of change in revenue recognition	New account. policies
Revenue	197.800	1.888	199.688
Changes in inventories of finished goods and work in progress	-1.653	0	-1.653
Other operating income	956	0	956
Raw materials and consumables	-96.059	15	-96.044
Other external costs	-25.988	-62	-26.050
Gross profit	75.056	1.841	76.897
Staff costs	-69.519	0	-69.519
Other operating expenses	-331	0	-331
Amortisation and depreciation	-14.707	0	-14.707
Operating profit	-9.501	1.841	-7.660
Profit/loss from foreign subsidiaries	-4.198	0	-4.198
Financial income and expenses	-1.561	0	-1.561
Profit before tax	-15.260	1.841	-13.419
Tax on profit for the year	-132	-405	-537
Profit for the year	-15.392	1.436	-13.956

Basis for preparation

The annual report of AGRAMKOW Fluid Systems A/S for 2018 has been prepared in accordance with the provisions applying of the Danish Financial Statements Act as regards medium-sized reporting class C.

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements are prepared. The financial statements of AGRAMKOW Fluid Systems A/S and its group entities are part of the consolidated financial statements of Dürr AG.

The pooling of interests method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, additions of assets and share conversions, etc. in which entities controlled by the Parent Company are involved, provided that the combination is considered completed at the time of common control establishment. Assets and liabilities are measured at carrying amounts and comparative figures are restated accordingly.

Reporting currency

The financial statements are presented in Danish kroner rounded to thousands.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies (continued)

Foreign subsidiaries and affiliates

Foreign subsidiaries and affiliates are considered separate enterprises. Items in such enterprises' income statement are translated at the average exchange rates for the month, and their balance sheet items are translated at he exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of such enterprises at the exchange rate at the balance sheet date and on translation of the income statement from the average exchange rates at the transaction date to closing.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other leases are disclosed under contingencies, etc.

Revenue

Revenue relating to certain of the company's construction contracts is recognized in the income statement depending on the type of contract, etc., because the control transition will take place at a different time (either over time or at a certain time) by using the interpretation of IFRS 15.

The requirements for estimates and assessments of, for example, variable remuneration, identification of sales contracts' sub-components, etc. has affected the amount and / or time of recognition of revenue relating to major construction contracts.

Construction contracts with a high degree of individual adjustment are recognized in revenue as production is performed, whereby revenue corresponds to the sales value of the year's completed work (percentage of completion).

The degree of completion is calculated on the basis of consumed costs in relation to the latest cost estimate.

Revenue from the sale of goods is recognized in revenue, respectively, when the transfer of the most important benefits and risks to the buyer has taken place, the income can be calculated reliably and payment is expected to be received.

Revenues from the sale of services that include service contracts are recognized on a straight-line basis in the revenue as the services are provided.

Revenue is measured at fair value of the agreed consideration exclusive VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognized in revenue.

Other operating income

Other operating income comprises items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies (continued)

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the Company's employees. The item is net of refunds made by public authorities.

Amortisation/depreciation and impairment of intangible assets and equipment.

The item comprises amortisation/depreciation and impairment of intangible assets and equipment.

The cost net of the expected residual value for completed development projects, acquired IP rights and goodwill is amortised over the expected useful life. Aquired IP rights include patents, rights and licences.

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

The expected useful lives are as follows:

Completed development projects	3-5 years
Goodwill	20 years
Other fixtures and fittings, tools and equipment, etc.	3-6 years
Leasehold improvements	5 years

It has by the management of the Company been decided to amortise the goodwill over a period of 20 years with the argument that there will overall be a continuously business potential on planning level and adequate growth throughout the next 20-25 years.

The Company is a worldwide known and registered brand name, which will be maintained and used going forward and the investment by the parent company is seen as a long-term investment with a big potential of growth.

Profits/losses from investments in foreign subsidiaries

The item includes the Company's proportionate share of the profit/loss for the year in foreign subsidiaries after elimination of intra-group income or losses and net of amortization and impairment of goodwill and other excess values at the time of acquisition.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax on profit/loss for the year

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish affiliates are taxed on a joint basis. The Danish income tax charged is allocated between profit-making and loss-making Danish jointly taxed companies in proportion to their taxable income (full allocation method).

Jointly taxed companies entitled to a tax refund are, as minimum, reimbursed by the administration company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the administration company.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies (continued)

Balance sheet

Intangible assets

Development costs comprise expenses, salaries and amortization 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, administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

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

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life.

Patents and licences are measured at cost less accumulated amortization and impairment losses. Patents are amortised on a straight-line basis over the remaining term of the patent, and licenses are amortised over the term of the license.

Goodwill is measuered at cost less accumulated amortization and impairment losses. Goodwill is amortised on a straight-line basis over the estimated useful life.

Gains and losses on the sale of intangible assets are recognized in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated by reference to the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

Items of leasehold improvements, fixtures and fittings, tools and equipment, etc. are measured at cost less accumulated depreciation and impairment losses. Cost includes the aquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains and losses are made as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of leasehold improvements, fixtures and fittings, tools and equipment, etc. are recognized in the income under "Other operating income" or "Other operating expenses", respectively.

Investments

Investments in foreign subsidiaries are measured under the equity method.

On initial recognition, investments in foreign subsidiaries are measured at cost and subsequently at the proportionate share of the enterprises' net asset values calculated in accordance with the Company's accounting policies less or plus any residual value of positive or negative goodwill determined in accordance with the acquisition method. Foreign subsidiaries with a negative net asset value are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the enterprise's deficit. Net revaluations of investments in subsidiaries and associates are transferred to the net revaluation reserve according to the equity method in so far as the carrying amount exceeds the acquisition cost.

Enterprises acquired or formed during the year are recognised in the financial statements from the date of acquisition or formation. Enterprises disposed of are recognised up to the date of disposal.
Acquisitions of new subsidiaries and associates are accounted for using the purchase method, according to which the assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of revaluations made is taken into account.

Impairment of non-current assets

Intangible assets, leasehold improvements, fixtures and fittings, tools and equipment, etc. and investments in foreign subsidiaries are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there is indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount. As for group of assets, impairment losses are first recognised in respect of goodwill and thereafter proportionately in respect of the other assets.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the weighted average method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

Receivables

Impairment of receivables is applied for expected credit-loss-model by using the interpretation of IFRS 9, after which the total life time expected loss is recognized immediately.

Receivables are measured at amortised cost.

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the company applies a simplified approach in calculating ECLs.

Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-lloking factors specific to the debtors and the economic environment.

Write-downs are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received.

Work in progress for third parties

Expected credit loss-model is applied for other work in progress for third parties (contract assets, including value of construction contracts) by using the interpretation of IFRS 9, after which the total expected loss is recognized immediately.

Ongoing service supplies and work in progress for third parties are measured at the market value of the work performed less advances received. The market value is calculated on the basis of the percentage of completion at the balance sheet date and the total expected income from the relevant contract. The percentage of completion is made up based on costs incurred relative to the expected, total expenses on each individual work in progress.

Where the outcome of contract work in progress cannot be made up reliably, the market value is measured at the costs incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under 'Provisions' and is expensed in the income statement.

The value of each contract in progress less prepayments is classified as assets when the market value exceeds prepayments and as liabilities when prepayments exceeds the market value.

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Cash and cash equivalents

Impairment of cash and cash equivalents (financial assets) are measured at amortized cost by using the credit-los-model under the interpretation of IFRS 9, after which the total expected loss is recognized immediately.

Cash and cash equivalents comprise cash and short-term marketable securities which are subject to an insignificant risk of changes in value.

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Notes to the financial statements

20 Accounting policies (continued)

Equity

Proposed dividends

Dividends proposed for the financial year are presented as a separate item under 'Equity'.

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in foreign subsidiaries relative to cost. The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, restructurings, etc. Provisions are recognised when the company has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation concerned is expected to be settled far into the future.

Guarantee commitments comprise expected cost of repairs within the guarantee period and are recognised based on previous experience with work performed under guarantees.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income.

Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

20 Accounting policies (continued)

Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and income taxes paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and financial assets.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividends to shareholders.

Financial ratios

Financial ratios have been calculated in accordance with the recommendations of the Danish Financial Association.

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit x 100}}{\text{Average invested capital}}$
Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$