AGRAMKOW

AGRAMKOW Fluid Systems A/S

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

Annual Report 2017

Annual Report was presented and approved at the Annual General Meeting

Darmstadt, Germany, 25 May 2018

Ralf Werner Dieter
Chairman

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Company details

AGRAMKOW Fluid Systems A/S
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DK-6400 Sønderborg

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Website:	www.agramkow.com
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CVR no.:	12 24 55 99
Established:	1 January 1988
Registered office:	Sønderborg
Financial year:	2017

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
Værkmestergade 25
Postboks 330
DK-8100 Aarhus C
CVR no. 30 70 02 28

Annual general meeting

The annual general meeting is to be held on 25 May 2018.

Management's review

Financial highlights

DKKm	2017	2016	2015	2014	2013
Key figures					
Revenue	**197,8**	**261,4**	**210,5**	**178,8**	**170,7**
Gross profit	75,1	96,9	80,3	68,6	64,9
Ordinary operating profit	-9,5	15,0	4,5	3,8	5,1
Financial income and expenses	-1,6	-10,6	-6,2	-7,7	-3,9
Profit for the year	**-15,4**	**10,2**	**-8,7**	**0,5**	**0,4**
Non-current assets	183,4	203,9	193,7	207,8	211,2
Current assets	113,2	173,2	138,8	121,1	115,0
Total assets	**296,6**	**377,1**	**332,5**	**328,9**	**326,2**
Share capital	10,8	10,8	10,8	10,8	10,8
Equity	**50,2**	**68,2**	**64,3**	**73,1**	**72,6**
Provisions	13,4	17,3	13,0	11,2	10,4
Non-current liabilities other than provisions	71,6	97,9	124,1	145,4	166,7
Current liabilities other than provisions	161,4	193,7	131,1	99,2	76,5
Cash flows from operating activities	**57,6**	**3,2**	**-3,1**	**10,1**	**37,6**
hereof before financial expenses, net and tax	59,3	17,0	4,5	19,0	42,9
Cash flows from investing activities	**-5,0**	**-24,1**	**-7,6**	**-6,8**	**-168,3**
hereof investment in development projects	-4,5	-3,8	-6,1	-5,2	-3,9
hereof investment in goodwill	0,0	0,0	0,0	0,0	-163,4
hereof investment in equipment	-0,5	-1,3	-1,6	-2,3	-0,9
hereof capital increase in foreign subsidiaries	0,0	-21,7	0,0	0,0	-1,5
Cash flows from financing activities	**-60,5**	**32,1**	**8,2**	**0,9**	**104,9**
hereof dividend paid	0,0	0,0	0,0	0,0	-21,3
hereof dividend received from foreign subsidiaries	3,7	2,0	0,0	1,0	6,8
Total cash flows	**-7,9**	**11,2**	**-2,5**	**4,2**	**-25,8**
Financial ratios					
Operating margin	**-4,8**	**5,7**	**2,1**	**2,1**	**3,0**
Return on invested capital	-2,8	4,2	1,4	1,2	1,8
Gross margin	**38,0**	**37,1**	**38,1**	**38,4**	**38,0**
Current ratio	70,1	89,4	105,9	122,1	150,3
Solvency ratio	**16,9**	**18,1**	**19,3**	**22,2**	**22,3**
Return on equity	-26,0	15,4	-12,7	0,7	0,5
Average number of full-time employees	**116**	**119**	**117**	**106**	**97**

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the 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

Development in activities and financial position

The Company has in 2017 generated a revenue of DKK 198 million against DKK 261 million in 2016.

Decline in revenue has occurred from both appliance and automotive industries in all parts of the world.

At the end of 2017 it was decided to transfer the activities within automotive to the German affiliated company Dürr Somac GmbH in the beginning of 2018.

The cost related to this transfer has been accrued in 2017 by DKK 6.0 million. Furthermore the development of a new business model has been initiated in 2017 and the cost for this has also been accrued for in 2017 by DKK 2.0 million. Also DKK 1.0 million has been accrued for planned restructuring in the Brazilian subsidiary.

After the balance date it has been known that the Director in the Brazilian subsidiary has committed fraud during a longer period. This is now under investigation and the preliminary figure shows a negative impact on profit and equity by DKK 11.1 million. This has been included in this annual report.

Within the appliance industry AGRAMKOW has expanded its market share and has in the financial year received a bigger project to Electrolux in the US.

Profit/loss for the year

AGRAMKOW reported unsatisfactory result for 2017 due to lower revenue, restructuring cost and fraud committed in the Brazilian subsidiary and does not meet the expectations from last year's report.

Loss for the year came in at DKK -15.4 million as against DKK +10.2 million in 2016.

Equity closed at DKK 50.2 million before the distribution of dividends, which is equivalent to a solvency ratio of 16.9%. During the financial year an exchange adjustments in respect of foreign subsidiaries had a negative impact of DKK 2.6 million on equity.

During the financial year, capitalized product development amounts to DKK 5.4 million against DKK 3.8 million in 2016. AGRAMKOW continuously invests heavily in product development, and several interesting products and concepts are in the pipeline for 2018.

Significant post-balance sheet events

In 2018 the Company identified an incident of fraud committed at the subsidiary in Brazil amounting to DKK 11.1 million. Hereof DKK 6.2 million have been charged directly to the equity opening balance whereas the remaining part was recognized in the profit/loss for 2017. For further information refer to note 20.

Outlook

Based on the backlog and expected new orders the Management expect that the profit in 2018 will increase to a level between DKK 5-15 million.

Management's review

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 2017.

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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017.

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.

Darmstadt, Germany, 25 May 2018

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 2017, 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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate,

Independent auditor's report

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.

Aarhus, 25 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Andersen
State Authorised
Public Accountant
MNE no.: mne32084

Financial statements for the period 1 January – 31 December

Income statement

DKK'000	Note	2017	2016
Revenue		197.800	261.442
Changes in inventories of finished goods and work in progress		-1.653	684
Other operating income		956	1.056
Raw materials and consumables		-96.059	-141.517
Other external costs		-25.988	-24.775
Gross profit		75.056	96.890
Staff costs	1	-69.519	-67.301
Other operating expenses		-331	0
Amortisation and depreciation	2	-14.707	-14.544
Operating profit		-9.501	15.045
Profit/loss from foreign subsidiaries		-4.198	8.981
Financial income and expenses	3	-1.561	-10.577
Profit before tax		-15.260	13.449
Tax on profit for the year	4	-132	-3.245
Profit for the year		-15.392	10.204
Proposed profit appropriation	11		

Financial statements for the period 1 January – 31 December

Balance sheet - Assets

DKK'000	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets	5		
Completed development projects		5.400	3.803
Goodwill		158.096	168.459
Development projects in progress		4.761	5.054
		168.257	177.316
Property, plant and equipment	6		
Leasehold improvements		410	650
Fixtures and fittings, tools and equipment		1.528	2.225
		1.938	2.875
Investments	7		
Investments in foreign subsidiaries		13.215	23.762
		13.215	23.762
Total non-current assets		183.410	203.953
Current assets			
Inventories			
Raw materials and consumables		8.412	15.985
Work in progress		4.651	5.249
Finished goods		1.385	2.440
Prepayments for goods		1.431	2.772
		15.879	26.446
Receivables			
Trade receivables		52.377	72.923
Contract work in progress	8	18.717	33.395
Amounts owed by foreign subsidiaries and affiliates		9.981	14.705
Other receivables		4.079	5.468
Prepayments	9	175	299
		85.329	126.790
Cash at bank and in hand		11.971	19.957
Total current assets		113.179	173.193
TOTAL ASSETS		296.590	377.146

Financial statements for the period 1 January – 31 December

Balance sheet - Equity and Liabilities

DKK'000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Share capital	10	10.800	10.800
Reserve for development costs		5.101	2.953
Retained earnings	11	34.279	54.449
Dividend proposed for the financial year		0	0
Total equity		50.180	68.202
Provisions			
Deferred tax	12	11.622	14.820
Other provisions	13	1.800	2.500
Total provisions		13.422	17.320
Non-current liabilities			
Amounts owed to parent company		71.608	97.876
Long-term liabilities		71.608	97.876
Current liabilities			
Bank loans and overdrafts		0	43
Work in progress for third party	8	31.182	27.208
Trade payables		18.563	13.502
Amounts owed to parent company, foreign subsidiaries and affiliates		86.016	124.777
Corporation tax		5.591	3.404
Other payables		20.028	24.814
Short-term liabilities		161.380	193.748
Total liabilities other than provisions		232.988	291.624
TOTAL EQUITY AND LIABILITIES		296.590	377.146

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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 2016		10.800	0	53.474	64.274
Exchange adjustment of foreign subsidiaries		0	0	-106	-106
Transferred of profit for the year		0	2.953	7.251	10.204
Prior period corrections		0	0	-6.170	-6.170
Equity at 1 January 2017		10.800	2.953	54.449	68.202
Exchange adjustment of foreign subsidiaries		0	0	-2.630	-2.630
Transferred of profit for the year	11	0	2.148	-17.540	-15.392
Equity at 31 December 2017		10.800	5.101	34.279	50.180

Financial statements for the period 1 January – 31 December

Cash flow statement

DKK'000	Note	2017	2016
Operating profit		-9.501	15.045
Depreciation and amortisation		14.707	14.544
Reversal of amortisation/depreciation and impairment of disposals		331	0
Cash flows from operations (operating activities) before changes in working capital	16	5.537	29.589
Changes in working capital	17	53.740	-12.611
Cash flows from operations (operating activities)		59.277	16.978
Financial expenses, net		-1.561	-10.577
Corporation tax paid		-132	-3.245
Cash flows from operating activities		57.584	3.156
Acquisition of intangible assets		-4.500	-3.828
Acquisition of equipment		-540	-1.251
Capital increase in foreign subsidiaries		0	-21.741
Reversal of prior year revaluations of foreign subsidiaries		0	2.742
Other adjustments of non-cash investing items		-2	-2
Cash flows from investing activities		-5.042	-24.080
Changes in non-current liabilities		-3.898	4.286
Amounts owed to parent company, subsidiaries and affiliated companies		-60.305	25.788
Dividends received from foreign subsidiaries		3.718	2.022
Cash flows from financing activities		-60.485	32.096
Net cash flows for the year	18	-7.943	11.172
Cash and cash equivalents at 1 January		19.914	8.742
Cash and cash equivalents at 31 December		11.971	19.914

Financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK'000	2017	2016

1 Staff costs

Wages and salaries	62.488	61.439
Pensions	3.908	3.755
Other social security costs	1.213	1.191
Other staff costs	1.910	916
	69.519	67.301
Remuneration to members of management:		
Executive Board	1.889	1.768
Board of Directors	286	60
	2.175	1.828
Average number of full-time employees	116	119

2 Amortisation and depreciation

Development projects, see note 5	3.193	3.047
Goodwill, see note 5	10.363	10.363
Leasehold improvements, see note 6	217	272
Fixtures and fittings, tools and equipment, see note 6	934	862
	14.707	14.544

3 Financial income and expenses

Financing income	5	79
Exchange adjustments	3.850	-4.125
Financing expenses	-358	-467
Financing expenses, parent company	-5.058	-6.064
	-1.561	-10.577

4 Tax on the profit for the year

Tax former years	-989	738
Estimated tax charge for the year	-2.440	-891
Deferred tax former years	2.359	1.477
Changes in provisions for deferred tax	938	-4.569
	-132	-3.245

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 2017	58.152	5.054	207.252	270.458
Additions for the year	756	3.744	0	4.500
Disposals for the year	-29.180	0	0	-29.180
Transfers	4.037	-4.037	0	0
Cost at 31 December 2017	33.765	4.761	207.252	245.778
Amortisation at 1 January 2017	54.349	0	38.793	93.142
Amortisation for the year	3.193	0	10.363	13.556
Reversal of amortisation/depreciation and impairment of disposals	-29.177	0	0	-29.177
Amortisation at 31 December 2017	28.365	0	49.156	77.521
Carrying amount at 31 December 2017	5.400	4.761	158.096	168.257
Amortised over	3-5 years		20 years	

6 Equipment

DKK'000	Fixtures and fittings tools, etc.	Leasehold improve-ments	Total
Cost at 1 January 2017	20.007	1.384	21.391
Additions for the year	520	20	540
Disposals for the year	-13.963	-107	-14.070
Cost at 31 December 2017	6.564	1.297	7.861
Amortisation at 1 January 2017	17.782	734	18.516
Amortisation for the year	934	217	1.151
Reversal of amortisation/depreciation and impairment of disposals	-13.680	-64	-13.744
Amortisation at 31 December 2017	5.036	887	5.923
Carrying amount at 31 December 2017	1.528	410	1.938
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

	2017
	Foreign subsidiaries
Cost at 1 January 2017	43.007
Additions	0
Cost at 31 December 2017	43.007
Retained earnings and other adjustments at 1 January 2017	-19.245
Exchange adjustment	-2.630
Profit for the year after tax	-4.199
Dividend to parent company	-3.718
Value adjustments at 31 December 2017	-29.792
Carrying amount at 31 December 2017	13.215

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 Work in progress

DKK'000	2017	2016
Sales value of work done	80.036	118.529
Received prepayments	-92.501	-112.342
	-12.465	6.187

It can be classified as follows:

Construction contracts (net assets)	18.717	33.395
Construction contracts (net liabilities)	-31.182	-27.208
	-12.465	6.187

9 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including insurance policies DKK 43 thousand and software DKK 132 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 2017 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	2017	2016
Reserve for development costs	2.148	2.953
Retained earnings	-23.711	7.251
	-21.563	10.204

12 Deferred tax

DKK'000	2017	2016
Deferred tax at 1 January	14.820	10.251
Deferred tax adjustment	-3.198	4.569
Deferred tax at 31 December	11.622	14.820

Deferred tax relates to:

Intangible assets	2.235	1.949
Equipment	-249	-152
Current assets	9.636	13.023
	11.622	14.820

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 1.800 thousand (2016: DKK 2.500 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	2017	2016
The contingent liabilities are specified as follows:		
Operating lease payments with a maximum maturity of 5 years totals	6.693	9.156

Collateral

The Company is liable for bank loans of DKK 0 thousand. Of this amount, the liability in respect of foreign subsidiaries represents DKK 0 thousand with surety of DKK 1.571 thousand.

The bankers of the Company have issued performance and payment bonds of a total of DKK 23.409 thousand.

Tenancy commitment

The Company has a tenancy commitment of DKK 5.222 thousand, which is interminable until 1 October 2018.

Joint taxation

The Company is jointly taxed with its Danish affiliated companies. 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, Germany (www.schenck.net)
- Parent Dürr AG, 74321 Bietigheim-Bissingen, 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	2017	2016
Sale of goods and services to foreign subsidiaries	30.821	31.563
Sale of goods and services to affiliates	15.535	17.117
Management fee from foreign subsidiaries	0	70
Expenses Management fee to parent company	3.324	3.339
Financing expenses, parent company	5.058	6.064
Cost reimbursement to foreign subsidiaries	4.292	0
Cost reimbursement to affiliates	3.392	0

Financial statements for the period 1 January – 31 December

Notes to the financial statements

Related party transactions (continued)

DKK'000	2017	2016
Amounts owed by foreign subsidiaries	2.139	5.564
Amounts owed to foreign subsidiaries	762	17.768
Amounts owed by affiliates	7.842	9.141
Amounts owed to affiliates	57.914	79.355
Amounts owed to parent company	98.948	125.530

Information about remuneration to management

Information about remuneration to management appears from note 2, '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, Germany (www.schenck.net)

	DKK'000	2017	2016
16	**Cash generated from operations (operating activities) before changes in working capital**		
	Revenue and other operating income	197.103	263.465
	Costs	-206.604	-248.420
	Depreciation and amortisation	14.707	14.544
	Reversal of amortisation/depreciation and impairment of disposals	331	0
		5.537	29.589
17	**Changes in working capital**		
	Changes in inventories	10.567	1.378
	Changes in trade receivables and other receivables	22.059	-16.114
	Changes in contract work in progress	18.652	-4.504
	Changes in prepayments, trade and other payables	2.462	6.629
		53.740	-12.611
18	**Net cash flows for the year**		
	Cash flows from operating activities	57.584	3.156
	Cash flows from investing activities	-5.042	-24.080
	Cash flows from financing activities	-60.485	32.096
		-7.943	11.172

19 Derivative financial instruments

	Contractual value		Gains and losses	
DKK'000	2017	2016	2017	2016
Exchange transactions (hedging)	78.691	103.220	-294	-435

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20 Accounting policies

Prior period error

In 2018 the company identified an incident of fraud committed at the subsidiary in Brazil amounting to DKK 11.1 million. Prior periods financial statements are effected by DKK 6.2 million. It has not been possible to access the specific impact for all years included in the financial highlight and hence the error has been corrected in the 2016 comparable only, which can be summarized as: Equity as per 31/12-2016 decreased by DKK 6.2 million, Investment in Subsidiaries as per 31/12-2016 decreased by DKK 6.2 million. The remaining DKK 4.9 million is recognized in the profit/loss for 2017.

The annual report of AGRAMKOW Fluid Systems A/S for 2017 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 financial statements have been presented in accordance with the same accounting policies as applied last year.

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.

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.

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.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies (continued)

Revenue

Income from sale of goods and finished goods is recognized in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably and is expected to be received.

Income from the rendering of services is recognized as revenue as the services are rendered, implying that revenue corresponds to the market value of the services rendered in the year (production method).

Income from construction contracts where the purchaser has significantly influenced the construction of the asset is recognized as revenue as the production activities are carried on, implying that revenue corresponds to the market value of the contract work performed (production method). This method is used where the total income and expenses and the degree of completion of the contract can be made up reliably.

Where the income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognized only in so far as it is probable that such expenses will be recoverable from the counterparty.

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.

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.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies (continued)

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.

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

20 Accounting policies (continued)

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.

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

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective indication that a receivable or a group of receivables is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

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.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies (continued)

Work in progress for third parties

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

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

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.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies (continued)

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.

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 statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

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	$\frac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$