

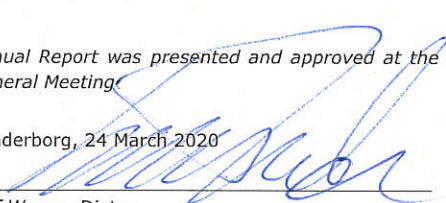
AGRAMKOW Fluid Systems A/S

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

Annual Report 2019

*Annual Report was presented and approved at the Annual
General Meeting*

Sønderborg, 24 March 2020


Ralf Werner Dieter
Chairman

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Management's review

Company details

AGRAMKOW Fluid Systems A/S
Augustenborg Landevej 19
DK-6400 Sønderborg

Telephone: +45 74 12 36 36
Fax: +45 74 43 36 46
Website: www.agramkow.com
E-mail: agramkow@agramkow.com
CVR no.: 12 24 55 99
Established: 1 January 1988
Registered office: Sønderborg

Financial year: 2019

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 24 March 2020.

Management's review

Financial highlights

DKKm	2019 ¹⁾	2018 ²⁾	2017 ³⁾	2016 ⁴⁾	2015 ⁴⁾
Key figures					
Revenue	185,5	204,3	199,7	261,4	210,5
Gross profit	77,9	99,4	76,9	96,9	80,3
Ordinary operating profit	4,9	29,8	-7,7	15,0	4,5
Financial income and expenses	-2,5	-4,9	-1,6	-10,6	-6,2
Profit for the year	3,7	16,1	-14,0	10,2	-8,7
Assets and liabilities					
Non-current assets	174,0	168,5	183,4	203,9	193,7
Current assets	65,7	80,5	117,5	173,2	138,8
Total assets	239,7	249,0	300,9	377,1	332,5
Share capital	10,8	10,8	10,8	10,8	10,8
Equity	71,1	67,4	51,9	68,2	64,3
Provisions	10,8	9,7	13,9	17,3	13,0
Non-current liabilities other than provisions	10,3	51,6	71,6	97,9	124,1
Current liabilities other than provisions	147,5	120,3	163,5	193,7	131,1
Cash flows					
Cash flows from operating activities	32,0	10,2	33,0	22,0	9,6
hereof before financial expenses, net and tax	37,4	22,9	35,1	35,8	17,2
Cash flows from investing activities	-10,3	12,6	-5,0	-26,8	-7,6
hereof investment in intangible assets	-8,7	-7,1	-4,5	-3,8	-6,1
hereof sales of intangible assets	0,0	20,2	0,0	0,0	0,0
hereof investment in equipment	-1,6	-0,5	-0,5	-1,3	-1,6
hereof sales of equipment	0,0	0,0	0,0	0,0	0,1
hereof investment in foreign subsidiaries	0,0	0,0	0,0	-21,7	0,0
Cash flows from financing activities	-17,4	-29,4	-36,0	16,0	-4,5
hereof financed by parent company and affiliates	-20,0	-36,8	-39,7	14,0	-4,5
hereof dividend received from foreign subsidiaries	1,9	7,4	3,7	2,0	0,0
hereof adjustment IFRS 16 Leases	0,7	7,4	3,7	2,0	0,0
Total cash flows	4,3	-6,6	-8,0	11,2	-2,5
Financial ratios					
Operating margin	2,6	14,6	-3,9	5,7	2,1
Return on invested capital	2,0	10,8	-2,3	4,2	1,4
Gross margin	42,0	48,7	38,5	37,1	38,1
Current ratio	44,5	66,9	71,9	89,4	105,9
Solvency ratio	29,7	27,1	17,2	18,1	19,3
Return on equity	5,3	27,0	-23,3	15,4	-12,7
Average number of full-time employees					
	100	103	116	119	117

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 16. See more in note 22.
- 2) The figures are adapted to the effect of change in accounting policies, including the interpretation of IFRS 9 and IFRS 15. The figures are not adapted to the effect of the interpretation of IFRS 16.
- 3) The figures are adapted to the effect of change in accounting policies, including the interpretation of IFRS 15. The figures are not adapted to the effect of the interpretation of IFRS 16.
- 4) 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 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. Equipment for the appliance 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 Limited (sales and service office), Great Britain
- Schenck RoTec GmbH (sales and service office), Germany
- Schenck USA 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 2019

In 2016, the International Accounting Standards Board (IASB) issued a completely new standard on the recognition of leases according to the International Accounting Standards (IFRS). As the standard enters into force for fiscal years beginning on January 1, 2019; the company has chosen to apply the new international accounting standards IFRS 16 Leases when interpreting the Danish Financial Statements Act. See more in note 22.

The most significant changes by the implementation of IFRS 16 Leases had a material impact on the company's balance sheet with DKK 12.9 million under leasing assets and DKK 13.6 million under lease liabilities.

Development in activities and financial position

The Company has in 2019 generated a revenue of DKK 185.5 million against DKK 204.3 million in 2018.

A supplementary insurance coverage of DKK 2.6 million has been booked in relation to the fraud committed by the Director in the Brazilian subsidiary where the expenses were reported in 2017.

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 2019 even though it is a little bit below the expectations from last year's report.

Profit for the year came in at DKK 3.7 million as against DKK 16.1 million in 2018 where the result was impacted by other operating income of more than DKK 20 million after tax.

The implementation of IFRS 16 Leases has had a positive impact on the annual result with DKK 0.1 million.

Equity closed at DKK 71.1 million before the distribution of dividends, which is equivalent to a solvency ratio of 29.7%.

During the financial year, capitalized product development amounts to DKK 8.7 million against DKK 7.1 million in 2018. AGRAMKOW continuously invests heavily in product development, and several interesting products and concepts are in the pipeline for 2020.

Outlook

Based on the backlog and expected new orders the Management expect that the profit in 2020 will be 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 2019.

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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's 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.

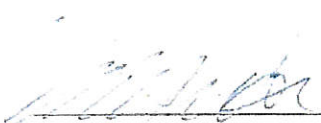
Sønderborg, 24 March 2020

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 2019, 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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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

Independent auditor's report

related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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, 24 March 2020

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	2019	2018
Revenue		185.464	204.260
Changes in inventories of finished goods and work in progress		-768	556
Other operating income		5.173	32.949
Raw materials and consumables		-94.075	-115.018
Other external costs		-17.937	-23.392
Gross profit		77.857	99.355
Staff costs	1	-53.105	-54.685
Amortisation and depreciation	2	-19.819	-14.876
Operating profit		4.933	29.794
Profit/loss from foreign subsidiaries		4.147	-999
Financial income and expenses	3	-2.513	-4.935
Profit before tax		6.567	23.860
Tax on profit for the year	4	-2.898	-7.790
Profit for the year		3.669	16.070
Proposed profit appropriation	11		

Financial statements for the period 1 January – 31 December**Balance sheet - Assets**

DKK'000	Note	2019	2018
ASSETS			
Non-current assets			
Intangible assets			
	5		
Completed development projects		16.153	10.430
Goodwill		137.370	147.733
Development projects in progress		741	3.074
		<u>154.264</u>	<u>161.237</u>
Property, plant and equipment			
Leasehold improvements	6	41	219
Fixtures and fittings, tools and equipment	6	1.987	1.226
Right-of-use lease assets	7	10.775	0
		<u>12.803</u>	<u>1.445</u>
Investments			
	8		
Investments in foreign subsidiaries	8	6.997	5.772
		<u>6.997</u>	<u>5.772</u>
Total non-current assets		<u>174.064</u>	<u>168.454</u>
Current assets			
Inventories			
Raw materials and consumables		7.752	8.943
Work in progress		4.091	3.572
Finished goods		1.693	3.020
		<u>13.536</u>	<u>15.535</u>
Receivables			
Trade receivables		23.989	29.051
Contract assets	9	6.609	7.323
Amounts owed by foreign subsidiaries and affiliates		7.402	8.977
Other receivables		4.106	13.479
Prepayments	10	410	800
		<u>42.516</u>	<u>59.630</u>
Cash at bank and in hand		<u>9.628</u>	<u>5.353</u>
Total current assets		<u>65.680</u>	<u>80.518</u>
TOTAL ASSETS		<u>239.744</u>	<u>248.972</u>

Financial statements for the period 1 January – 31 December

Balance sheet - Equity and Liabilities

DKK'000	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Share capital	11	10.800	10.800
Reserve for development costs		12.269	10.396
Retained earnings	12	48.041	46.153
Dividend proposed for the financial year		0	0
Total equity		71.110	67.349
Provisions			
Deferred tax	13	9.488	7.985
Other provisions	14	1.300	1.700
Total provisions		10.788	9.685
Non-current liabilities			
Amounts owed to parent company		0	51.608
Lease liabilities	15	8.419	0
Other payables		1.909	0
Long-term liabilities		10.328	51.608
Current liabilities			
Prepayments received from customers		641	0
Contract liabilities	9	12.173	8.423
Trade payables		11.456	15.030
Amounts owed to parent company, foreign subsidiaries and affiliates		105.529	69.780
Lease liabilities	15	3.015	0
Corporation tax		3.276	13.226
Other payables		11.428	13.871
Short-term liabilities		147.518	120.330
Total liabilities other than provisions		157.846	171.938
TOTAL EQUITY AND LIABILITIES		239.744	248.972
Contingent liabilities, collateral etc.	16		
Related parties	17		
Derivative financial instruments	21		
Accounting policies	22		

Financial statements for the period 1 January – 31 December**Statement of changes in equity**

DKK'000	Note	Share capital	Reserve for development costs	Retained earnings	Total
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 and other 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		0	5.295	10.775	16.070
Equity at 1 January 2019		10.800	10.396	46.153	67.349
Changing of accounting policies, IFRS 16		0	0	-753	-753
Tax effect, IFRS 16		0	0	166	166
Adjusted equity at 1 January 2019		10.800	10.396	45.566	66.762
Exchange and other adjustments of foreign subsidiaries		0	0	48	48
Value adjustment of hedging instruments		0	0	809	809
Tax effect, hedging instruments		0	0	-178	-178
Transferred of profit for the year	12	0	1.873	1.796	3.669
Equity at 31 December 2019		10.800	12.269	48.041	71.110

Financial statements for the period 1 January – 31 December**Cash flow statement**

DKK'000	Note	2019	2018
Operating profit		4.933	29.794
Sales of intangible assets		0	-20.000
Reversal of accounting loss on right-of-use assets (IFRS 16)		69	0
Depreciation and amortisation		19.819	14.876
Financial expenses, net		-2.513	-4.935
Tax on profit for the year, paid tax		-11.357	-7.790
Changes in foreign subsidiaries		0	-1.104
Cash flows from operations (operating activities) before changes in working capital	18	10.951	10.841
Changes in working capital	19	24.197	-666
Cash flows from operating activities		35.148	10.175
Acquisition of intangible assets		-8.845	-7.136
Sales of intangible assets		0	20.239
Acquisition of equipment		-1.488	-468
Dividends received from foreign subsidiaries		1.866	7.448
Adjustments of non-cash of non-current assets		0	2
Cash flows from investing activities		-8.467	20.085
Amounts owed to parent company, subsidiaries and affiliated companies		-19.147	-36.868
Repayment on lease liabilities (IFRS 16)		-3.259	0
Cash flows from financing activities		-22.406	-36.868
Net cash flows for the year	20	4.275	-6.608
Cash and cash equivalents at 1 January		5.353	11.961
Cash and cash equivalents at 31 December		9.628	5.353

Financial statements for the period 1 January – 31 December**Notes to the financial statements**

DKK'000	2019	2018
1 Staff costs		
Wages and salaries	53.703	54.285
Pensions	3.742	3.721
Other social security costs	925	950
Other staff costs	1.308	909
	<u>59.678</u>	<u>59.865</u>
Transferred to development projects	-6.573	-5.180
	<u>53.105</u>	<u>54.685</u>
Remuneration to members of management:		
Executive Board	2.286	1.842
Board of Directors	100	26
	<u>2.386</u>	<u>1.868</u>
Average number of full-time employees	<u>100</u>	<u>103</u>
2 Amortisation and depreciation		
Development projects, see note 5	5.345	3.554
Goodwill, see note 5	10.363	10.363
Leasehold improvements, see note 6	178	191
Fixtures and fittings, tools and equipment, see note 6	837	768
Right-of use lease assets, see note 7	3.096	0
	<u>19.819</u>	<u>14.876</u>
3 Financial income and expenses		
Financing income	1	4
Exchange adjustments	-741	-4.020
Financing expenses	-168	-213
Financing expenses, parent company	-1.471	-706
Financing expenses, lease liabilities	-134	0
	<u>-2.513</u>	<u>-4.935</u>
4 Tax on the profit for the year		
Tax former years	29	126
Estimated tax charge for the year	-1.436	-11.890
Deferred tax former years	0	489
Changes in provisions for deferred tax	-1.491	3.485
	<u>-2.898</u>	<u>-7.790</u>

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 2019	42.279	3.074	207.252	252.605
Additions for the year	8.494	351	0	8.845
Disposals for the year	0	0	0	0
Transfers	2.574	-2.684	0	-110
Cost at 31 December 2019	53.347	741	207.252	261.340
Amortisation at 1 January 2019	31.849	0	59.519	91.368
Amortisation for the year	5.345	0	10.363	15.708
Reversal of amortisation/depreciation and impairment of disposals	0	0	0	0
Amortisation at 31 December 2019	37.194	0	69.882	107.076
Carrying amount at 31 December 2019	16.153	741	137.370	154.264

Amortised over 3-5 years 20 years

6 Equipment

DKK'000	Fixtures and fittings tools, etc.	Leasehold improve- ments	Total
Cost at 1 January 2019	6.878	1.297	8.175
Additions for the year	1.488	0	1.488
Additions for the year	0	0	0
Disposals for the year	-498	0	-498
Transfers	110	0	110
Cost at 31 December 2019	7.978	1.297	9.275
Amortisation at 1 January 2019	5.652	1.078	6.730
Amortisation for the year	837	178	1.015
Reversal of amortisation/depreciation and impairment of disposals	-498	0	-498
Amortisation at 31 December 2019	5.991	1.256	7.247
Carrying amount at 31 December 2019	1.987	41	2.028

Amortised over 3-6 years 5 years

Financial statements for the period 1 January – 31 December

Notes to the financial statements

7 Right-of-use lease assets

DKK'000	Right-of-Use: Buildings	Right-of-Use: Motor Vehicles	Right-of-Use: Total
Cost at 1 January 2019	0	0	0
Adjustments at 1 January 2019	40.039	1.168	41.207
Adjusted amount at 1 January 2019	40.039	1.168	41.207
Additions for the year	0	1.082	1.082
Disposals for the year	0	-107	-107
Cost at 31 December 2019	40.039	2.143	42.182
Amortisation at 1 January 2019	0	0	0
Adjustments at 1 January 2019	27.719	630	28.349
Adjusted amount at 1 January 2019	27.719	630	28.349
Amortisation for the year	2.464	632	3.096
Reversal of amortisation/depreciation and impairment of disposals	0	-38	-38
Amortisation at 31 December 2019	30.183	1.224	31.407
Carrying amount at 31 December 2019	9.856	919	10.775
Amortised over	5 years	3-4 years	

8 Investments

DKK'000	2019
	Foreign subsidiaries
Cost at 1 January 2019	43.007
Additions	0
Cost at 31 December 2019	43.007
Value adjustments at 1 January 2019	-37.235
Exchange and other adjustments	48
Profit for the year after tax	4.147
Dividend to parent company	-1.866
Transferred	-1.104
Value adjustments at 31 December 2019	-36.010
Carrying amount at 31 December 2019	6.997

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

9 Contract assets and liabilities

DKK'000	2019	2018
Sales value of work done	89.362	92.826
Received prepayments	-94.926	-93.926
	<u>-5.564</u>	<u>-1.100</u>
It can be classified as follows:		
Construction contracts (net assets)	6.609	7.323
Construction contracts (net liabilities)	-12.173	-8.423
	<u>-5.564</u>	<u>-1.100</u>

10 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent DKK 151 thousand, insurance policies DKK 155 thousand and software DKK 104 thousand.

11 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.

12 Proposed profit appropriation

DKK'000	2019	2018
Reserve for development costs	1.873	5.295
Retained earnings	1.796	10.775
	<u>3.669</u>	<u>16.070</u>

13 Deferred tax

DKK'000	2019	2018
Deferred tax at 1 January	7.985	11.622
Changing in accounting policies, IFRS 16	-166	0
Adjusted deferred tax at 1 January	7.819	11.622
Changes in provisions for deferred tax	1.491	-3.485
Deferred tax adjustment of hedging instruments	178	-152
Deferred tax at 31 December	<u>9.488</u>	<u>7.985</u>
Deferred tax relates to:		
Intangible assets	3.717	2.971
Equipment	-254	-272
Current assets	5.999	5.438
Hedging instruments	26	-152
	<u>9.488</u>	<u>7.985</u>

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Notes to the financial statements

14 Other provision

The Company provides 2 years warranty on certain products.

A provision of DKK 1.300 thousand (2018: DKK 1.700 thousand) has been recognised for expected warranty requirements based on previous experience regarding the level of repairs and return of items.

15 Lease liabilities

DKK'000	Right-of- Use: Buildings	Right-of- Use: Vehicles	Right-of- Use: Total
Maturity of lease liabilities:			
Within 1 year	2.585	430	3.015
Between 1 and 2 years	2.613	325	2.938
Between 2 and 3 years	2.642	132	2.774
Over 3 years	2.670	37	2.707
Lease liabilities at 31 December	10.510	924	11.434
Lease liabilities recognized in the balance sheet:			
Short-term lease liabilities	2.585	430	3.015
Long-term lease liabilities	7.925	494	8.419
	10.510	924	11.434
Average interest expense on lease liabilities	1,035%	0,987%	

For 2019, the company has paid DKK 3,393 thousand in respect of leases, of which interest payments related to recognized lease liabilities are DKK 134 thousand and repayments DKK 3,259 thousand

16 Contingent liabilities, collateral, etc.

Contingent liabilities

DKK'000	2019	2018
The contingent liabilities are specified as follows:		
Operating lease payments with a maximum maturity of 1 years totals before implementation of IFRS 16	0	3.844
Low-value and short-term leases less than 12 months	247	0
	247	3.844

Collateral

The bankers of the Company have issued performance and payment bonds of a total of DKK 5.811 thousand (2018: DKK 6.771 thousand).

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.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

17 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	2019	2018
Sale of goods and services to foreign subsidiaries	21.695	19.324
Sale of goods and services to affiliates	16.019	20.423
Cost reimbursement from affiliates	2.013	2.125
Expenses Management fee to parent company	3.034	3.230
Financing expenses, parent company	1.471	706
Purchase of services from affiliates	4.625	2.384
Commission expenses to foreign subsidiaries	1.260	1.806
Commission expenses to affiliates	4.040	4.192
Cost reimbursement to foreign subsidiaries	2.303	3.144
Cost reimbursement to affiliates	6.834	5.139
Amounts owed by foreign subsidiaries	1.686	4.994
Amounts owed by affiliates	5.716	3.983
Amounts owed to foreign subsidiaries	516	141
Amounts owed to affiliates	53.168	49.308
Amounts owed to parent company	51.846	71.939

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)

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DKK'000	2019	2018		
18 Cash generated from operations (operating activities) before changes in working capital				
Revenue and other operating income	189.682	237.765		
Sales of intangible assets	0	-20.000		
Reversal of accounting loss on right-of-use assets (IFRS 16)	69	0		
Costs, financial income/-expenses and tax on profit for the year	-190.160	-220.696		
Depreciation and amortisation	19.819	14.876		
Adjustment on paid tax	-8.459	0		
Changes in foreign subsidiaries (transferred)	0	-1.104		
	<u>10.951</u>	<u>10.841</u>		
19 Changes in working capital				
Changes in inventories	1.999	344		
Changes in trade receivables and other receivables	20.792	18.543		
Changes in contract work in progress	4.464	-11.488		
Changes in prepayments, trade and other payables	-3.467	-3.300		
Changes in non-current liabilities	-400	-4.227		
Other adjustments	809	-538		
	<u>24.197</u>	<u>-666</u>		
20 Net cash flows for the year				
Cash flows from operating activities	35.148	10.175		
Cash flows from investing activities	-8.467	12.637		
Cash flows from financing activities	-22.406	-29.420		
	<u>4.275</u>	<u>-6.608</u>		
21 Derivative financial instruments				
	Contractual value		Gains and losses	
DKK'000	2019	2018	2019	2018
Hedging in EUR < 1 year	44.718	48.023	-110	-102
Hedging in GBP < 1 year	2.707	5.127	-20	-13
Hedging in USD < 1 year	38.866	24.467	373	-578
Exchange transactions (hedging)	<u>86.291</u>	<u>77.617</u>	<u>243</u>	<u>-693</u>

Of this, DKK 809 thousand is recognized as cash flow hedge directly on equity (2018: DKK -690 thousand).

Financial statements for the period 1 January – 31 December

Notes to the financial statements

22 Accounting policies

Change in accounting policies

With effect from 1 January 2019, the company has chosen to change its accounting policies to apply the new international accounting standards IFRS 16 Leases when interpreting the Danish Financial Statements Act.

The interpretation of IFRS 16 replaces the previous interpretation (IAS17) and introduces a new model for recognition and measurement of both financial and operational leases and company has chosen to implement IFRS 16 Leases using the modified retrospective method, and therefore no comparative figures are required.

The most significant changes by the implementation of IFRS 16 Leases had a material impact on the company's balance sheet with DKK 12.9 million under leasing assets and DKK 13.6 million under lease liabilities. Lease assets are recalculated as per the (historical) contract signing date, why assets and liabilities are not the same as per 1 January 2019 (implementation date).

In accordance with the transitional provisions, the company has chosen the following when interpreting the IFRS 16:

- Will make use of the exemptions for low-value leased assets less than DKK 37.5 thousands and for future short-term leases less than 12 months.
- Will use the practical expedient and apply IFRS 16 to lease agreements that were entered into by 31 December 2018.
- To set an interest rate on a portfolio of leases with similar characteristics.

Explanation of the accounting effect of change in accounting policies (IFRS 16):

	1 January 2019		
	Prev. account. policies	Effect of change in leases	New account. policies
DKK'000			
ASSETS			
Non-current assets			
Intangible assets	161.237	0	161.237
Property, plant and equipment	1.445	0	1.445
Right-of-Use assets	0	12.858	12.858
Investments	5.772	0	5.772
Total non-current assets	168.454	12.858	181.312
Total current assets	80.518	0	80.518
TOTAL ASSETS	248.972	12.858	261.830
EQUITY AND LIABILITIES			
Equity			
Retained earnings	46.153	-587	45.566
Total equity	67.349	-587	66.762
Provisions			
Deferred tax	7.985	-166	7.819
Total provisions	9.685	-166	9.519
Non-current liabilities			
Leasing liabilities	0	10.669	10.669
Long-term liabilities	51.608	10.669	62.277
Current liabilities			
Leasing liabilities	0	2.942	2.942
Short-term liabilities	120.330	2.942	123.272
Total liabilities other than provisions	171.938	13.611	185.549
TOTAL EQUITY AND LIABILITIES	248.972	12.858	261.830

Financial statements for the period 1 January – 31 December

Notes to the financial statements

22 Accounting policies (continued)

Change in accounting policies (continued)

Explanation of the accounting effect of change in accounting policies:

	1 January – 31 December 2019			2018
	Prev. account. policies	Effect of change in leases	New account. policies	Prev. account. policies
DKK'000				
Revenue	185.464	0	185.464	204.260
Changes in inventories of finished goods and work in progress	-768	0	-768	556
Other operating income	5.164	9	5.173	32.949
Raw materials and consumables	-87.095	0	-87.095	-108.557
Other external costs	-21.659	3.315	-18.344	-24.673
Gross profit	81.106	3.324	84.430	104.535
Staff costs	-59.678	0	-59.678	-59.865
Amortisation and depreciation	-16.723	-3.096	-19.819	-14.876
Operating profit	4.705	228	4.933	29.794
Profit/loss from foreign subsidiaries	4.147	0	4.147	-999
Financial income and expenses	-2.379	-134	-2.513	-4.935
Profit before tax	6.473	94	6.567	23.860
Tax on profit for the year	-2.877	-21	-2.898	-7.790
Profit for the year	3.596	73	3.669	16.070

Basis for preparation

The annual report of AGRAMKOW Fluid Systems A/S for 2019 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

22 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 the 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 are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to represent a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments.

The lease payments are discounted using the interest rate implicit in the lease.

Right-of-use lease assets are measured at cost comprising the amount of the initial measurement of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised on a straightline basis as an expense in the income statement. Short-term lease are leases with lease term less than 12 months. Low-value assets comprise IT-equipment and small items of office furniture etc. less than DKK 37.5 thousands.

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.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

22 Accounting policies (continued)

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 , property, plant, equipment and right-of use lease assets

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. Acquired 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
Right-of-use lease assets – Buildings	5 years
Right-of-use lease assets – Vehicles	3-4 years

Amortisation, depreciation and impairment of intangible assets , property, plant, equipment and right-of use lease assets (continued)

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 include interest, foreign exchange gains and losses on transactions in foreign currencies. In addition, amortisation of financial assets and liabilities, including lease liabilities, allowances and surcharges under the advance-payment-of-tax scheme and changes in the fair value of derivative financial instruments that are not qualified as hedging instruments.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

22 Accounting policies (continued)

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

22 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 measured 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, equipment and right-of-use lease assets

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

The basis of depreciation is cost less projected residual value after the end of the useful life.

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 statement under "Other operating income" or "Other operating expenses", respectively.

Right-of-use lease assets are recognised on the balance sheet at the net present value of discounted lease payments. Right-of-use lease assets are depreciated over the term of the lease term plus options for renewal. The capitalised value of the lease obligation is recognised as a lease liability on the balance sheet, and the interest element of the lease payment is recognised as an expense in the income statement under "Financial income and expenses".

Depreciation is provided on a straight line basis relying on the assessment of the assets' useful lives

Depreciation rules are described under "Amortisation, depreciation and impairment of intangible assets, property, plant, equipment and right-of use lease assets".

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.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

22 Accounting policies (continued)

Investments (continued)

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

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-looking 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.

Contract assets and liabilities

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.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

22 Accounting policies (continued)

Work in progress for third parties (continued)

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-loss-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.

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.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

22 Accounting policies (continued)

Financial 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.

Other liabilities, which usually comprise trade payables, amounts owed to parent company, foreign subsidiaries and affiliates are measured at amortised cost, which usually corresponds to nominal value.

The capitalized residual lease obligation is recognized as lease liability.

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, payment of dividends to shareholders and payment of lease liabilities.

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