

---

# ***BEUMER Group A/S***

P. O. Pedersens Vej 10, DK-8200 Aarhus N

## **Annual Report for 1 January - 31 December 2017**

---

CVR No 12 65 56 81

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
23/5 2018

Mads Bach Christensen  
Chairman



# Contents

|  | <u>Page</u> |
|--|-------------|
| <b>Management's Statement and Auditor's Report</b> |             |
| Management's Statement                             | 1           |
| Independent Auditor's Report                       | 2           |
| <b>Management's Review</b>                         |             |
| Company Information                                | 5           |
| Financial Highlights                               | 6           |
| Management's Review                                | 7           |
| <b>Financial Statements</b>                        |             |
| Income Statement 1 January - 31 December           | 16          |
| Balance Sheet 31 December                          | 17          |
| Statement of Changes in Equity                     | 19          |
| Notes to the Financial Statements                  | 20          |

# Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of BEUMER Group A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Aarhus, 23 May 2018

## Executive Board

Klaus Schäfer  
CEO

Peter Sendal From

Stephan Jan Pieter Heessels

Mads Bach Christensen

Finn Henry Laugesen

Henrik Kaj Mortensen

## Supervisory Board

Dr. Christoph Beumer  
Chairman

Norbert Hufnagel

Ranjit Singh Bhabra

Per Christensen

Sarah Skøtt

# Independent Auditor's Report

To the Shareholder of BEUMER Group A/S

## Opinion

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 for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of BEUMER Group A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

# Independent Auditor's Report

## Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Aarhus, 23 May 2018

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Claus Lindholm Jacobsen  
State Authorised Public Accountant  
mne23328

Thyge Belter  
State Authorised Public Accountant  
mne30222

## Company Information

### The Company

BEUMER Group A/S  
P. O. Pedersens Vej 10  
DK-8200 Aarhus N

CVR No: 12 65 56 81  
Financial period: 1 January - 31 December  
Municipality of reg. office: Aarhus, Denmark

### Supervisory Board

Dr. Christoph Beumer, Chairman  
Norbert Hufnagel  
Ranjit Singh Bhabra  
Per Christensen  
Sarah Skøtt

### Executive Board

Klaus Schäfer  
Peter Sendal From  
Stephan Jan Pieter Heessels  
Mads Bach Christensen  
Finn Henry Laugesen  
Henrik Kaj Mortensen

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Nobelparken  
Jens Chr. Skous Vej 1  
DK-8000 Aarhus C

# Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

|   | 2017<br>kDKK | 2016<br>kDKK | 2015<br>kDKK | 2014<br>kDKK | 2013<br>kDKK |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Key figures</b>                          |              |              |              |              |              |
| <b>Profit/loss</b>                          |              |              |              |              |              |
| Revenue                                     | 1.453.470    | 1.574.070    | 1.461.728    | 1.469.232    | 1.298.330    |
| Gross profit/loss                           | 275.281      | 234.576      | 207.971      | 212.963      | 205.746      |
| Operating profit/loss                       | 81.065       | 42.608       | 20.473       | 35.057       | 17.670       |
| Net financials                              | 336.880      | 55.740       | 32.584       | 22.809       | 22.884       |
| Net profit/loss for the year                | 408.378      | 85.758       | 48.695       | 49.461       | 33.229       |
| <b>Balance sheet</b>                        |              |              |              |              |              |
| Balance sheet total                         | 1.569.762    | 1.092.716    | 1.053.840    | 1.053.075    | 1.010.506    |
| Equity                                      | 768.087      | 364.758      | 321.386      | 275.063      | 311.991      |
| Investment in property, plant and equipment | 12.385       | 5.579        | 10.111       | 7.924        | 35.160       |
| Number of employees                         | 652          | 693          | 658          | 632          | 548          |
| <b>Ratios</b>                               |              |              |              |              |              |
| Profit margin                               | 5,6%         | 2,7%         | 1,4%         | 2,4%         | 1,4%         |
| Return on assets                            | 5,2%         | 3,9%         | 1,9%         | 3,3%         | 1,7%         |
| Solvency ratio                              | 48,9%        | 33,4%        | 30,5%        | 26,1%        | 30,9%        |
| Return on equity                            | 72,1%        | 25,0%        | 16,3%        | 16,9%        | 11,3%        |



# Management's Review

## Key activities

As in earlier years, the Company's primary activities have consisted of development, production, project sale, project implementation and subsequent service of system solutions for automated material handling systems.

## Development in the year

The Company's income statement for 1 January to 31 December 2017 shows a profit of DKK 408.4 million, and the Company's equity at 31 December 2017 amounts to DKK 768.1 million.

The Company's financial performance and financial development was overall as expected. The operating profit amounted to DKK 81.1 million, and the Company's financial performance including profits/losses from investments in group enterprises and associates was satisfactory, showing a profit of DKK 408.4 million, which were highly influenced by the sale of subsidiaries. The decision to divest the majority of the group enterprises to BEUMER Beteiligungsgesellschaft was based on a decision to harmonize the enterprise structure in the overall BEUMER Group. The profit from the sale of these subsidiaries was DKK 315.2 million.

## Special risks - operating risks and financial risks

### *Operating risks*

Many of the Company's projects are very large and carried out almost all over the world. When at the same time new technology is implemented, this may be subject to risks. The risks, however, are not considered unusual within the business in which the Company operates.

## Targets and expectations for the year ahead

For the financial year 2018, the Company expects revenue in the range of DKK 1.6 – 1.8 billion, as well as a positive operating profit at the level of 2017.

## Research and development

In the financial year, the Company has incurred development costs in the range of DKK 43.9 million. Of this amount DKK 37.9 million is included in the line item "Development expenditure", which is not found to meet the criteria of capitalising development costs. Moreover, development costs have been capitalized amounting to DKK 6.0 million.

# Management's Review

## Foreign branches

The Company has foreign branches, of which the two most important are in Singapore and Qatar. As the Company is working on projects locally around the world, Management is aware of the rules governing permanent establishments. The Company supervises the projects, and if the Company qualifies for applying the rules, Management will see to it that the Company is registered with a permanent establishment.

## Intellectual capital resources

The Company is project oriented, which places great demands on the intellectual capital resources of our employees and our business procedures. In order to continuously maintain and train the intellectual capital resources of our employees within our core competences, we successively provide resources to carry out our own project training courses, of which a large number of our employees have completed. It is also the target to have a significant part of the project managers certified according to the PMI standard.

Our business procedures are primarily based on a phased project control model. This model is continuously adjusted to the requirements of the Company and the customers.

Every second year, an employee satisfaction survey is being conducted. The results of the survey found the basis for improvement programs – both on department level and company level.

## Statement of corporate social responsibility

BEUMER Group A/S works in different areas with corporate social, environmental and ethical responsibilities. BEUMER Group A/S has structured its work with CSR according to the 10 Principles of the United Nations Global Compact.

### ***Corporate social responsibility policies***

#### *Ethics in the business*

Integrity and Ethics are core values for BEUMER Group A/S, which are also defined in our Strategic Overview and Corporate Identity.

Since 2012 BEUMER Group has been awarded holder of "Ethics in business". The idea behind "Ethics in Business" is to award medium sized companies that decidedly and actively assume their corporate social responsibility. The initiative is supported academically by Director of the Institute for Business Ethics at the University of St. Gallen. A team of experts evaluates extraordinary achievements in the field of corporate responsibility. Medium sized companies, which attach particular importance to ethical business practices are granted the award and can carry the title for three years.

# Management's Review

## *Health & safety, labour standards and human rights*

BEUMER Group A/S's Health and Safety Management system is certified according to OHSAS 18001.

BEUMER Group A/S recognizes the right to form and to join trade unions for the protection of his/hers interests.

BEUMER Group A/S supports the United Nations Universal Declaration of Human Rights which upholds the effective abolition of child labour. The Company's policy also includes the elimination of discrimination with respect to employment and occupation. This also includes working hours, salary and benefits.

## *Environment and climate*

BEUMER Group A/S's Environmental Management System is certified according to ISO 14001.

Besides the comprehensive existing system for managing and auditing environmental impacts, BEUMER Group A/S is constantly improving our own production methods, delivery of goods to sites and operation of sortation systems at our customers, with focus on environmental impacts and resource reduction. BEUMER Group A/S's policy is to be active in the development of sustainable technologies. Sustainability is one of the key factors for customers to select BEUMER Group as preferred supplier.

BEUMER Group A/S experiences increasing customer requirements and interest in health, safety and environment.

## *Responsible supply chain management*

BEUMER Group A/S's Quality Management System is certified according to ISO 9001. The Purchasing Conditions are available at the website [www.BEUMERgroup.com](http://www.BEUMERgroup.com).

BEUMER Group A/S suppliers must be approved and are asked to sign "Purchasing Conditions" which include a commitment to comply with the 10 Principles of UN Global Compact, with an accident free working culture supported by meeting or exceeding applicable health safety and environment legislation.

BEUMER Group A/S is increasing its business activities in emerging markets and conducting audit activities of the suppliers. If business conditions in a country are of special concern, the suppliers are audited with focus on the 10 Principles of the UN Global Compact.

## ***Translate policies into action***

### *Ethics in business*

Agreements with both customers and suppliers include the 10 principles of the UN Global Compact. To ensure the right level of competences key persons are trained, especially in the customers and suppliers facing divisions e.g. procurement, quality, sales and regional offices, with focus on sales activities including ethics (anti-corruption and anti-bribery).

## Management's Review

### *Health & safety, labour standards and human rights*

BEUMER Group A/S reviews all applicable laws and regulations, at least twice a year (monitoring program), to secure that BEUMER Group A/S, at all times, lives up to relevant laws and regulations. The Head of QHSE reports to the CEO and his Divisional Directors on any trends and relevant laws and regulations that will have influence on BEUMER Group A/S's health and safety performance.

BEUMER Group A/S has a Working Environment Organisation covering all organizational units divided in groups with participants of appointed managers and 11 elected working environment representatives.

The CEO is the owner of the Working Environment Organisation (WEO) and the Head of QHSE as Chairman of this organisation conducts work place assessments. Merge of Employee Engagement Survey (EES) and the Workplace Assessments (WPA) was conducted as an electronic survey for all employees in September 2016. The WPA covers both physiological and psychological work environment, which was a part of EES questions related to essential aspects defined by the National Research Centre for the Working Environment. The response rate was 91% which is the highest rate for a WPA at BEUMER Group A/S ever. The statutory maximum interval for WPAs is 3 years. By conducting the ESS/WPA at the same time feedback from the employees will be collected every 2 years.

The feedback from the EES/WPA has resulted in the new initiative "Future Workspace" with the purpose to improve the working environment at BEUMER Group A/S. The "Future Workspace" success criteria are Project-oriented space design, diversity and variation, Knowledge sharing and informal meeting culture, Attractive space that showcase our DNA. In 2017 the detailed discover phase was completed, and in 2018-2019 the design and deliver phase will be conducted.

The WPA includes offensive and discriminating behaviour also part of the 10 Principles. Improvements are implemented based on action plans in agreement with the Divisional Directors and WEO. Based on risk assessments, recurrent safety rounds are conducted in the production area and on installation sites with focus on health and safety, e.g. working methods/ergonomics, internal transport, chemicals, emergency preparedness, waste handling and safety of machinery.

Special Health Safety and Environment training programs are arranged for engineers, supervisors, suppliers and customers on sites. The target is to protect all from accidents and ensure the awareness of detecting near misses to avoid accidents to occur.

BEUMER performs internal audits that include follow up on health, safety and labour standards.

Certification body Bureau Veritas performs health and safety audits at BEUMER Group A/S twice a year. With reference to Labour as one of the 10 Principles, different trade unions are involved in salary negotiations, working hours and conditions for employees. Agreements are documented and signed by Divisional Directors and trade union representatives.

## Management's Review

### *Environment and climate*

All applicable laws and regulations are reviewed at least twice a year (QHSE monitoring program), to secure that BEUMER Group A/S, at all times, comply with relevant laws and regulations. The Head of QHSE reports to the Divisional Directors and the Working Environment Organisation about any trends and relevant laws and regulations that will have influence on BEUMER Group A/S's environmental performance (also H&S). Procedures are updated accordingly.

Sortation systems are equipped with an energy efficient linear synchronous motor technology that reduces the overall PLCC (product life cycle cost) substantially without sacrificing speed, capacity, and reliability.

New products and technologies carrying BEUMER Group A/S Group's "made different" seal are characterized by their sustainability based on their economic, environmental and social performance as measured by the BEUMER Group A/S Sustainability Index (BSI). Each of the three areas is evaluated in five categories, e.g. energy consumption during production and operation, consumption of raw materials, packaging, waste, emissions, customers health and safety benefits.

External energy consultants from VERDO conducted the statutory Energy Audit (ref. EU Directive) in June 2016 and the result was submitted to the Danish Energy Agency (DK: Energistyrelsen). VERDO mapped the energy consumption and reported 8 specific proposals for energy savings at BEUMER Group A/S. Proposals concerning LED lighting, free cooling system of server room and operation of ventilations system are planned in the "Future Workspace" project.

BEUMER Group A/S performs internal audits that include follow up on environment standards. Certification body Bureau Veritas performs environmental audits at BEUMER Group A/S twice a year.

### *Responsible supply chain management*

BEUMER Group A/S primarily cooperates with suppliers in Europe and with BEUMER Group's own production sites in Germany and China all in compliance with ISO 9001, OHSAS 18001 and ISO 14001. In 2017 BEUMER Group A/S was re-certified according to the ISO 9001:2015 edition which has strengthened focus on Leadership & commitment, Risks & opportunities and Needs & expectations of interested parties.

Suppliers are recurrently being evaluated and significant suppliers are subject to audit on quality, health, safety and environmental performance.

### ***Assessment of results achieved***

#### *Ethics in business*

Integrity and Ethics is one of the core values in BEUMER Group A/S. We value different cultures in our global group as a learning experience and try to build a working environment where everybody respects one's uniqueness.

## Management's Review

A project focusing on cultural perspectives in BEUMER Group have been the basis for continuously ensuring knowledge about and respect for each other in a Global Group with different cultural backgrounds. The BEUMER Group intranet is distributing information about cultural perspectives and e.g. festive seasons. The HR department is providing training in cultural aspects to enhance both relations internally but also toward our customers worldwide.

In continuation of the internal training of the 10 Principles to key functions like sales etc. the training program of new employees on QHSE topics include ethics in business in BEUMER Group.

A formalized corporation with the Danish Job Center (Jobcentret) has been established including a process for trainee positions. 6-7 trainees from different places of education have been hired, and the plan is to hire new trainees twice a year in the future. Some of the trainee positions are meant to help unemployed persons who for some reason have difficulties finding jobs.

### *Health & safety, labour standards and human rights*

Due to OHSAS 18001 certification and positive working environment results, BEUMER Group A/S has since 2009 been awarded the highest attainable standard of excellence for health and safety in Denmark (a smiley with a crown) by the Danish Working Environment Authority. The smiley with a crown is still effective.

In 2017 projects to prevent working accidents, reduce noise and improve the indoor environment and ergonomics have been completed, and health and safety trainings of employees have been conducted.

In 2017 emergency preparedness has been updated and improved, including evacuation exercise, first aid and firefighting trainings.

The above mentioned actions have resulted in no deviations regarding Labour Standards during 2017.

BEUMER Group A/S has a well implemented procedure for handling accidents and near misses. In 2017 there were 3 working accidents with absence (9 lost work days), which were the lowest level compared with the last 9 years. Severity of the accidents is divided into the 4 categories: Minor, Reversible, Irreversible and Catastrophic. The accidents have been minor or reversible.

To prevent working accidents "near-misses" are also reported and analysed. A "near miss/working accident" index is measured and monitored monthly, and our 2017 target was achieved and the 2018 target has been raised. For lessons learned the Working Environment Organisation is involved in the handling of all working accidents and near-misses.

On the intranet all employees have access to information concerning Health, Safety and Environment on the "HSE Portal".

# Management's Review

## *Environment and climate*

BEUMER Group A/S Health, Safety & Environment Report 2017 (internal report) shows that we have continued focus on reducing environmental impacts in a product life-cycle perspective. We have no outstanding issues with the authorities or other stakeholders.

R&D has focus on implementing environmentally friendly technologies into our product range. LS 4000 sorters have set new standards for energy and CO<sub>2</sub> efficiency. The LS 4000E, LS 4000CB and LS 4000econ sorters are equipped with energy efficient linear synchronous motors.

The new CrisBag® generation is equipped with energy efficient drive motors, start/stop technology and new totes made of 100% recyclable plastic materials. The reduced weight of the new totes results in lower energy consumption during operation.

The baggage storage system CrisStore® is equipped with an energy saving operation programme.

Container utilization has an impact on the CO<sub>2</sub> footprint caused by delivery of goods to sites. A new environmental KPI (key performance indicator) and target regarding CO<sub>2</sub> footprint caused by the delivery of goods to sites has been defined.

Due to the "Future Workspace" project building refurbishment was started up in 2017, including replacement of skylights, windows, doors and facades into more energy efficient solutions.

3 charging stations are established for environmentally friendly electric vehicles at the parking area. Note: In Denmark (2016) 51% of electricity is produced by regenerative energy (wind, water, sun).

At BEUMER Group A/S waste is sorted in approximate 20 different fractions, e.g. food waste from the canteen is used for production of biogas. With ref. to our waste management system 77% of all waste was recycled in 2017.

The Environmental Management System secures that all these actions are controlled and documented.

## *Responsible supply chain management*

In 2017 all new suppliers agreed on the BEUMER Group A/S's purchase conditions. Beumer Group A/S continuously follow up on its main suppliers also by conducting audits at supplier site. In 2017 21 non conformities were raised and 32 improvements suggested with focus on quality, health, safety and environment.

# Management's Review

## Diversity in management

At BEUMER Group A/S, board and management appointments are made on merit, with the best qualified person getting the job. We believe this will strengthen the dynamics and development of a company and emphasize the position of a modern and visionary company.

BEUMER Group A/S strives to recruit candidates with the highest leadership qualifications and embraces diversity. The current distribution of gender is not in line with what can be expected from a company of our size. Subsequently, BEUMER Group A/S will focus on strengthening the efforts to balance the gender equality and the goal is to increase gender equality on the board and in management.

BEUMER Group A/S will always as a minimum aim at having one woman among candidates for middle and senior management positions, and BEUMER Group A/S will increasingly strengthen the efforts to spot, recruit and develop female candidates with necessary professional and personal qualifications and values to develop into excellent managers.

The following targets have been determined

- In 2018 a minimum of 20% of middle and senior management positions will be held by women
- In 2022 a minimum of 25% of middle and senior management positions will be held by women
- In 2018 and onwards a minimum of 25% of the board members will be women

## *Women on the board and in management*

Middle and senior management

- Base 2017: 20.5%
- Target 2018: 20%
- Target 2022: 25%

Board

- Base 2017: 0%
- Target 2018: 25%
- Target 2022: 25%

No women have been elected to the board in 2017, hence the target has not been met. On the middle and senior management level the policy has resulted in that the 2017 target was achieved since 20.5% women was represented in the middle and senior management.

## Uncertainty relating to recognition and measurement

The Company is involved in a number of large projects, whose final outcome may influence the Company's results. The uncertainty is assessed according to the circumstances known until now and is expected to be reflected in the profit/loss for the year.



## **Management's Review**

### **Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income Statement 1 January - 31 December

|   | Note | 2017<br>kDKK     | 2016<br>kDKK     |
|---|------|------------------|------------------|
| <b>Revenue</b>                          | 1    | <b>1.453.470</b> | <b>1.574.070</b> |
| Production costs                        | 2    | -1.178.189       | -1.339.494       |
| <b>Gross profit/loss</b>                |      | <b>275.281</b>   | <b>234.576</b>   |
| Distribution expenses                   | 2    | -78.538          | -81.393          |
| Development expenditure                 | 2    | -37.854          | -39.620          |
| Administrative expenses                 | 2    | -77.824          | -70.955          |
| <b>Operating profit/loss</b>            |      | <b>81.065</b>    | <b>42.608</b>    |
| Income from investments in subsidiaries | 3    | 346.380          | 58.880           |
| Financial income                        | 4    | 10.987           | 4.032            |
| Financial expenses                      | 5    | -20.487          | -7.172           |
| <b>Profit/loss before tax</b>           |      | <b>417.945</b>   | <b>98.348</b>    |
| Tax on profit/loss for the year         | 6    | -9.567           | -12.590          |
| <b>Net profit/loss for the year</b>     |      | <b>408.378</b>   | <b>85.758</b>    |

# Balance Sheet 31 December

## Assets

|  | Note      | 2017<br>kDKK     | 2016<br>kDKK     |
|--|-----------|------------------|------------------|
| Completed development projects                   |           | 13.837           | 19.748           |
| Development projects in progress                 |           | 29.596           | 30.060           |
| <b>Intangible assets</b>                         | <b>7</b>  | <b>43.433</b>    | <b>49.808</b>    |
| Land and buildings                               |           | 11.789           | 12.314           |
| Plant and machinery                              |           | 7.160            | 13.205           |
| Other fixtures and fittings, tools and equipment |           | 9.793            | 8.245            |
| Leasehold improvements                           |           | 6.181            | 4.917            |
| Property, plant and equipment in progress        |           | 7.031            | 2.719            |
| <b>Property, plant and equipment</b>             | <b>8</b>  | <b>41.954</b>    | <b>41.400</b>    |
| Investments in subsidiaries                      | 9         | 8.130            | 188.063          |
| Receivables from group enterprises               | 10        | 50.453           | 50.453           |
| Other receivables                                | 10        | 174              | 199              |
| <b>Fixed asset investments</b>                   |           | <b>58.757</b>    | <b>238.715</b>   |
| <b>Fixed assets</b>                              |           | <b>144.144</b>   | <b>329.923</b>   |
| <b>Inventories</b>                               | <b>11</b> | <b>90.386</b>    | <b>57.104</b>    |
| Trade receivables                                |           | 143.623          | 136.326          |
| Contract work in progress                        | 12        | 150.464          | 199.318          |
| Receivables from group enterprises               |           | 706.574          | 180.252          |
| Other receivables                                | 19        | 26.489           | 7.188            |
| Deferred tax asset                               | 16        | 0                | 5.550            |
| Corporation tax                                  |           | 9.342            | 1.378            |
| Prepayments                                      | 13        | 14.319           | 3.400            |
| <b>Receivables</b>                               |           | <b>1.050.811</b> | <b>533.412</b>   |
| <b>Cash at bank and in hand</b>                  |           | <b>284.421</b>   | <b>172.277</b>   |
| <b>Currents assets</b>                           |           | <b>1.425.618</b> | <b>762.793</b>   |
| <b>Assets</b>                                    |           | <b>1.569.762</b> | <b>1.092.716</b> |

# Balance Sheet 31 December

## Liabilities and equity

|  | Note | 2017<br>kDKK     | 2016<br>kDKK     |
|--|------|------------------|------------------|
| Share capital  |      | 50.700           | 50.700           |
| Reserve for net revaluation under the equity method            |      | 5.136            | 144.856          |
| Reserve for development costs                                  |      | 12.433           | 7.827            |
| Retained earnings  |      | 699.818          | 124.375          |
| Proposed dividend for the year                                 |      | 0                | 37.000           |
| <b>Equity</b>  | 14   | <b>768.087</b>   | <b>364.758</b>   |
| Provision for deferred tax                                     | 16   | 10.064           | 0                |
| Other provisions   | 17   | 30.462           | 19.414           |
| <b>Provisions</b>  |      | <b>40.526</b>    | <b>19.414</b>    |
| Other payables   |      | 0                | 10.498           |
| <b>Long-term debt</b>  | 18   | <b>0</b>         | <b>10.498</b>    |
| Trade payables   |      | 241.000          | 202.344          |
| Contract work in progress, liabilities                         | 12   | 346.845          | 213.534          |
| Payables to group enterprises                                  |      | 63.656           | 139.276          |
| Corporation tax  |      | 3.462            | 4.509            |
| Other payables   | 1819 | 106.186          | 138.383          |
| <b>Short-term debt</b>   |      | <b>761.149</b>   | <b>698.046</b>   |
| <b>Debt</b>  |      | <b>761.149</b>   | <b>708.544</b>   |
| <b>Liabilities and equity</b>                                  |      | <b>1.569.762</b> | <b>1.092.716</b> |
| Distribution of profit   | 15   |                  |                  |
| Contingent assets, liabilities and other financial obligations | 20   |                  |                  |
| Related parties  | 21   |                  |                  |
| Fee to auditors appointed at the general meeting               | 22   |                  |                  |
| Accounting Policies  | 23   |                  |                  |

## Statement of Changes in Equity

|  | Share capital | Reserve for net<br>revaluation<br>under the<br>equity method | Reserve for<br>development<br>costs | Retained<br>earnings | Proposed<br>dividend for the<br>year | Total          |
|--|---------------|--|-------------------------------------|----------------------|--------------------------------------|----------------|
|  | kDKK          | kDKK   | kDKK                                | kDKK                 | kDKK                                 | kDKK           |
| Equity at 1 January  | 50.700        | 144.856  | 7.827                               | 124.375              | 37.000                               | 364.758        |
| Ordinary dividend paid                                       | 0             | 0  | 0                                   | 0                    | -37.000                              | -37.000        |
| Dissolution of previous years' revaluation                   | 0             | -137.477   | 0                                   | 137.477              | 0                                    | 0              |
| Exchange adjustments relating to foreign<br>entities         | 0             | 1.001  | 0                                   | 0                    | 0                                    | 1.001          |
| Fair value adjustment of hedging<br>instruments, end of year | 0             | -2.621   | 0                                   | 43.040               | 0                                    | 40.419         |
| Tax on adjustment of hedging instruments<br>for the year     | 0             | 0  | 0                                   | -9.469               | 0                                    | -9.469         |
| Development costs for the year                               | 0             | 0  | 4.697                               | -4.697               | 0                                    | 0              |
| Depreciation, amortisation and impairment<br>for the year    | 0             | 0  | -91                                 | 91                   | 0                                    | 0              |
| Net profit/loss for the year                                 | 0             | -623   | 0                                   | 409.001              | 0                                    | 408.378        |
| <b>Equity at 31 December</b>                                 | <b>50.700</b> | <b>5.136</b>   | <b>12.433</b>                       | <b>699.818</b>       | <b>0</b>                             | <b>768.087</b> |

# Notes to the Financial Statements

## 1 Revenue

The distribution of revenue by activity and geographical market is not disclosed as the market only has a few suppliers, and the disclosures are therefore found to be substantially detrimental to the Company.

|  | 2017<br>kDKK   | 2016<br>kDKK   |
|--|----------------|----------------|
| <b>2 Staff</b>   |                |                |
| Wages and Salaries   | 381.874        | 394.649        |
| Pensions   | 28.858         | 27.247         |
| Other social security expenses                                     | 7.330          | 8.341          |
|  | <b>418.062</b> | <b>430.237</b> |
| Including remuneration to the Executive and Supervisory Boards of: |                |                |
| Executive Board  | 15.451         | 15.741         |
| Supervisory Board  | 90             | 213            |
|  | <b>15.541</b>  | <b>15.954</b>  |
| <b>Average number of employees</b>                                 | <b>652</b>     | <b>693</b>     |
| <b>3 Income from investments in subsidiaries</b>                   |                |                |
| Share of profits of subsidiaries                                   | 31.173         | 58.880         |
| Profit from sale of subsidiaries                                   | 315.207        | 0              |
|  | <b>346.380</b> | <b>58.880</b>  |
| <b>4 Financial income</b>  |                |                |
| Interest received from group enterprises                           | 4.245          | 1.973          |
| Other financial income   | 31             | 7              |
| Exchange adjustments   | 6.711          | 2.052          |
|  | <b>10.987</b>  | <b>4.032</b>   |

## Notes to the Financial Statements

|  | 2017<br>kDKK  | 2016<br>kDKK |
|--|---------------|--------------|
| <b>5 Financial expenses</b>                          |               |              |
| Interest paid to group enterprises                   | 1.193         | 2.043        |
| Other financial expenses                             | 1.729         | 2.238        |
| Exchange adjustments, expenses                       | 17.565        | 2.891        |
|  | <b>20.487</b> | <b>7.172</b> |
| <b>6 Tax on profit/loss for the year</b>             |               |              |
| Current tax for the year                             | 5.852         | 5.291        |
| Deferred tax for the year                            | 19.500        | 3.873        |
| Adjustment of tax concerning previous years          | -2.430        | -219         |
| Adjustment of deferred tax concerning previous years | -3.886        | -391         |
|  | <b>19.036</b> | <b>8.554</b> |
| which breaks down as follows:                        |               |              |
| Tax on profit/loss for the year                      | 9.567         | 12.590       |
| Tax on changes in equity                             | 9.469         | -4.036       |
|  | <b>19.036</b> | <b>8.554</b> |

## Notes to the Financial Statements

### 7 Intangible assets

|   | Completed<br>development<br>projects<br>kDKK | Development<br>projects in<br>progress<br>kDKK |
|---|--|--|
| Cost at 1 January                                 | 110.203                                      | 30.060   |
| Additions for the year                            | 0  | 6.022  |
| Transfers for the year                            | 6.486  | -6.486   |
| Cost at 31 December                               | 116.689                                      | 29.596   |
| Impairment losses and amortisation at 1 January   | 90.455                                       | 0  |
| Amortisation for the year                         | 12.397                                       | 0  |
| Impairment losses and amortisation at 31 December | 102.852                                      | 0  |
| <b>Carrying amount at 31 December</b>             | <b>13.837</b>                                | <b>29.596</b>                                  |

Development projects relate to the development of new and improved versions of the Company's existing products for sorting of luggage and parcels as well as new products for existing markets. The development projects in progress are expected to be completed in 2018. The projects are progressing according to plan. Prior to the initiation of the projects, the Company prepared a market survey, which confirmed that there is a demand for the new developed products.



# Notes to the Financial Statements

## 8 Property, plant and equipment

|   | Land and<br>buildings<br>kDKK | Plant and<br>machinery<br>kDKK | Other fixtures<br>and fittings,<br>tools and<br>equipment<br>kDKK | Leasehold<br>improvements<br>kDKK | Property, plant<br>and equipment<br>in progress<br>kDKK |
|---|-------------------------------|--------------------------------|---|-----------------------------------|---|
| Cost at 1 January   | 15.114                        | 126.476                        | 75.029  | 7.159                             | 2.719   |
| Exchange adjustment                                       | 0                             | 0                              | -188  | 0                                 | 0   |
| Additions for the year                                    | 0                             | 0                              | 620   | 0                                 | 11.765  |
| Transfers for the year                                    | 0                             | 602                            | 4.873   | 1.978                             | -7.453  |
| Cost at 31 December                                       | 15.114                        | 127.078                        | 80.334  | 9.137                             | 7.031   |
| Impairment losses and depreciation at 1<br>January        | 2.800                         | 113.271                        | 66.784  | 2.242                             | 0   |
| Exchange adjustment                                       | 0                             | 0                              | -171  | 0                                 | 0   |
| Depreciation for the year                                 | 525                           | 6.647                          | 3.987   | 714                               | 0   |
| Reversal of impairment and depreciation<br>of sold assets | 0                             | 0                              | -59   | 0                                 | 0   |
| Impairment losses and depreciation at 31<br>December      | 3.325                         | 119.918                        | 70.541  | 2.956                             | 0   |
| <b>Carrying amount at 31 December</b>                     | <b>11.789</b>                 | <b>7.160</b>                   | <b>9.793</b>  | <b>6.181</b>                      | <b>7.031</b>  |

# Notes to the Financial Statements

## 9 Investments in subsidiaries

|   | 2017<br>kDKK | 2016<br>kDKK   |
|---|--------------|----------------|
| Cost at 1 January   | 26.035       | 16.023         |
| Additions for the year  | 0            | 10.012         |
| Disposals for the year  | -23.042      | 0              |
| Cost at 31 December   | 2.993        | 26.035         |
| Value adjustments at 1 January  | 144.856      | 120.189        |
| Disposals for the year  | -138.437     | 0              |
| Exchange adjustment   | -661         | -1.435         |
| Net profit/loss for the year  | -621         | 58.880         |
| Dividend to the Parent Company  | 0            | -36.135        |
| Fair value adjustment of hedging instruments for the year                   | 0            | 6.032          |
| Other equity movements, net   | 0            | -2.675         |
| Value adjustments at 31 December  | 5.137        | 144.856        |
| Equity investments with negative net asset value amortised over receivables | 0            | 17.172         |
| <b>Carrying amount at 31 December</b>                                       | <b>8.130</b> | <b>188.063</b> |

Investments in subsidiaries are specified as follows:

| Name                                 | Place of<br>registered office | Votes and<br>ownership | Equity | Net profit/loss<br>for the year |
|--------------------------------------|-------------------------------|------------------------|--------|---------------------------------|
| Crisplant Airport Systems L.L.C.     | Abu Dhabi                     | 100%                   | 339    | -1.983                          |
| Crisplant (Shanghai) Co., Ltd.       | China                         | 100%                   | 3.979  | -80                             |
| BEUMER Group South Africa (Pty) Ltd. | South Africa                  | 80%                    | 5.125  | 1.724                           |

# Notes to the Financial Statements

## 10 Other fixed asset investments

|                                       | Receivables<br>from group<br>enterprises<br>kDKK | Other receiv-<br>ables<br>kDKK |
|---------------------------------------|--|--------------------------------|
| Cost at 1 January                     | 50.453   | 199                            |
| Exchange adjustment                   | 0  | -25                            |
| Cost at 31 December                   | 50.453   | 174                            |
| <b>Carrying amount at 31 December</b> | <b>50.453</b>                                    | <b>174</b>                     |

## 11 Inventories

|                                     | 2017<br>kDKK  | 2016<br>kDKK  |
|-------------------------------------|---------------|---------------|
| Raw materials and consumables       | 17.129        | 3.863         |
| Work in progress                    | 27.295        | 15.925        |
| Finished goods and goods for resale | 45.962        | 37.316        |
|                                     | <b>90.386</b> | <b>57.104</b> |

## 12 Contract work in progress

|  |                 |                |
|--|-----------------|----------------|
| Selling price of work in progress              | 2.175.459       | 2.747.313      |
| Payments received on account                   | -2.371.840      | -2.761.529     |
|  | <b>-196.381</b> | <b>-14.216</b> |
| Recognised in the balance sheet as follows:    |                 |                |
| Contract work in progress recognised in assets | 150.464         | 199.318        |
| Prepayments received recognised in debt        | -346.845        | -213.534       |
|  | <b>-196.381</b> | <b>-14.216</b> |

## 13 Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and prepayments to suppliers.

# Notes to the Financial Statements

## 14 Equity

The share capital consists of 50,700 shares of a nominal value of kDKK 1. No shares carry any special rights.

## 15 Distribution of profit

|   | 2017<br>kDKK   | 2016<br>kDKK  |
|---|----------------|---------------|
| Proposed dividend for the year                      | 0              | 37.000        |
| Reserve for net revaluation under the equity method | -623           | 22.745        |
| Retained earnings                                   | 409.001        | 26.013        |
|   | <b>408.378</b> | <b>85.758</b> |

## 16 Provision for deferred tax

|   |               |               |
|---|---------------|---------------|
| Provision for deferred tax at 1 January                 | -5.550        | -12.708       |
| Amounts recognised in the income statement for the year | 10.031        | 7.518         |
| Amounts recognised in equity for the year               | 9.469         | -4.036        |
| Adjustment of deferred tax concerning previous years    | -3.886        | 3.676         |
| <b>Provision for deferred tax at 31 December</b>        | <b>10.064</b> | <b>-5.550</b> |

## 17 Other provisions

|   |               |               |
|---|---------------|---------------|
| Warranties  | 30.462        | 19.414        |
|   | <b>30.462</b> | <b>19.414</b> |
| The provisions are expected to mature as follows: |               |               |
| Within 1 year                                     | 18.222        | 9.295         |
| Between 1 and 5 years                             | 12.240        | 9.791         |
| After 5 years                                     | 0             | 328           |
|   | <b>30.462</b> | <b>19.414</b> |

The Company provides warranties on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions have been recognised for expected warranty claims.

# Notes to the Financial Statements

## 18 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

|                           | 2017<br>kDKK   | 2016<br>kDKK   |
|---------------------------|----------------|----------------|
| <b>Other payables</b>     |                |                |
| Between 1 and 5 years     | 0              | 10.498         |
| Long-term part            | 0              | 10.498         |
| Within 1 year             | 10.498         | 5.862          |
| Other short-term payables | 95.688         | 132.521        |
| Short-term part           | 106.186        | 138.383        |
|                           | <b>106.186</b> | <b>148.881</b> |

## 19 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

|             | 2017<br>kDKK | 2016<br>kDKK |
|-------------|--------------|--------------|
| Assets      | 10.066       | 0            |
| Liabilities | 0            | -46.846      |

Forward exchange contracts have been concluded to hedge future sale of goods in AED, AUD, BRL, CAD, CNY, EUR, HKD, SGD, USD and QAR. At the balance sheet date, the fair value of the forward exchange contracts amounts to DKK 10,066k. Sale of goods in the above-mentioned currencies has been hedged for a period of 1-46 months for an amount of AED 8,385k, AUD 3,861k, BRL 288k, CAD 10,129k, CNY 29,058k, HKD 12,230k, SGD 6,806k, USD 56,652k and QAR 12,781k.

# Notes to the Financial Statements

|  | 2017<br>kDKK | 2016<br>kDKK |
|--|--------------|--------------|
| <b>20 Contingent assets, liabilities and other financial obligations</b>   |              |              |
| <b>Rental and lease obligations</b>  |              |              |
| Commitments under rental agreements or leases until expiry   | 3.974        | 5.852        |
| Commitments under rental agreements or leases with group enterprises until expiry  | 49.386       | 58.552       |
| <b>Guarantee obligations</b>   |              |              |
| The Company has provided guarantee for bank balances in subsidiaries with a maximum credit line of   | 0            | 3.432        |
| The Company has provided six parent guarantees to customers belonging to BEUMER Group UK Limited, two parent guarantees to customers belonging to BEUMER Group Hong Kong Company Ltd., one parent guarantee to a customer belonging to OOO BEUMER, one parent guarantee to a customer belonging to Crisplant Airport Systems L.L.C. as well as one group guarantee to a customer belonging to BEUMER Group Canada Corporation. The project values relating to these guarantees are | 2.645.624    | 1.468.548    |
| The Company's banks have provided bank guarantees to the Company's and the group enterprises' customers of a total amount of   | 501.686      | 502.770      |
| <b>Other contingent liabilities</b>  |              |              |
| The Company participates in Danish joint taxation with Crisplant Holding ApS as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.             |              |              |

# Notes to the Financial Statements

## 21 Related parties

|  | <u>Basis</u>    |
|--|-----------------|
| <b>Controlling interest</b>                    |                 |
| BEUMER Group GmbH & Co. KG, reg. no. HR A 7620 | Ultimate parent |

### Transactions

Referring to section 98 C, litra 7 of the Danish Financial Statements Act, no information describing transactions with related parties is provided.

### Consolidated Financial Statements

The Company is included in the Group Annual Report of

| <u>Name</u>                | <u>Place of registered office</u>                        |
|----------------------------|--|
| BEUMER Group GmbH & Co. KG | Older Str. 40, 59269 Beckum, Germany, reg. no. HR A 7620 |

The Group Annual Report of BEUMER Group GmbH & Co. KG may be obtained at the following address:

BEUMER Group GmbH & Co. KG  
Older Str. 40  
59269 Beckum  
Germany

## Notes to the Financial Statements

|  | 2017<br>kDKK | 2016<br>kDKK |
|--|--------------|--------------|
| <b>22 Fee to auditors appointed at the general meeting</b> |              |              |
| <b>PricewaterhouseCoopers</b>                              |              |              |
| Audit fee  | 425          | 425          |
| Tax advisory services                                      | 667          | 164          |
| Other services   | 277          | 293          |
|  | <b>1.369</b> | <b>882</b>   |



# Notes to the Financial Statements

## 23 Accounting Policies

The Annual Report of BEUMER Group A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in kDKK.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of BEUMER Group GmbH & Co. KG, the Company has not prepared consolidated financial statements.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

### Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

### Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

### Hedge accounting

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

## Income Statement

### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

In accordance with section 96(1) of the Danish Financial Statements Acts, disclosures on revenue broken down by business segments are not provided as the Company's Executive Board and Supervisory Board assess that such disclosures would be very detrimental to the Company.

### **Production costs**

Production costs comprises costs incurred to achieve revenue for the year. Cost comprises raw materials and consumables, wages and salaries, rent and leases, share of HR and IT costs, share of building costs as well as depreciation of production plant.

### **Distribution expenses**

Distribution expenses comprise costs incurred for distribution of goods/plant sold, including costs for sales and distribution staff, advertising costs as well as depreciation and amortisation.

### **Development expenditure**

Development expenditure comprise costs that do not meet the criteria for capitalisation as well as amortisation and impairment losses of development costs capitalised.

### **Administrative expenses**

Administrative expenses comprise expenses for Management, administrative staff, office premises, office expenses, depreciation, etc. Furthermore, provision for bad debt is recognised.

### **Income from investments in subsidiaries**

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with the parent company. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

#### *Development projects, patents and licences*

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis and by deferred tax.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 4-5 years.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

|   |            |
|---|------------|
| Buildings   | 50 years   |
| Plant and machinery                                 | 2-10 years |
| Other fixtures and fittings,<br>tools and equipment | 2-10 years |
| Leasehold improvements                              | 2-10 years |

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### Other fixed asset investments

Other fixed asset investments consist of receivables from group enterprises.

### Inventories

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

### Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### **Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and prepayments to suppliers.

### **Equity**

#### ***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### **Provisions**

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period. Provisions are measured and recognised based on experience with guarantee work.

### **Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

### Financial Highlights

#### Explanation of financial ratios

|                  |  |
|------------------|--|
| Profit margin    | $\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$            |
| Return on assets | $\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$       |
| Solvency ratio   | $\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$ |
| Return on equity | $\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$      |