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

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

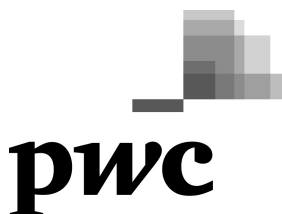
## **Annual Report for 1 January - 31 December 2018**

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CVR No 12 65 56 81

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
21/5 2019

Mads Bach Christensen  
Chairman of the General  
Meeting



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# 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 2018.

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 2018 of the Company and of the results of the Company operations for 2018.

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, 21 May 2019

## 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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 2018, 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 Financials 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, 21 May 2019

**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:

|   | 2018      | 2017      | 2016      | 2015      | 2014      |
|---|-----------|-----------|-----------|-----------|-----------|
|   | kDKK      | kDKK      | kDKK      | kDKK      | kDKK      |
| <b>Key figures</b>                          |           |           |           |           |           |
| <b>Profit/loss</b>                          |           |           |           |           |           |
| Revenue                                     | 1.883.977 | 1.453.470 | 1.574.070 | 1.461.728 | 1.469.232 |
| Gross profit/loss                           | 332.962   | 275.281   | 234.576   | 207.971   | 212.963   |
| Operating profit/loss                       | 104.268   | 80.991    | 42.608    | 20.473    | 35.057    |
| Net financials                              | 30.802    | 336.560   | 55.740    | 32.584    | 22.809    |
| Net profit/loss for the year                | 109.678   | 408.071   | 85.758    | 48.695    | 49.461    |
| <b>Balance sheet</b>                        |           |           |           |           |           |
| Balance sheet total                         | 1.676.048 | 1.542.825 | 1.092.716 | 1.053.840 | 1.053.075 |
| Equity                                      | 839.369   | 743.877   | 364.758   | 321.386   | 275.063   |
| Investment in property, plant and equipment | 25.781    | 12.385    | 5.579     | 10.111    | 7.924     |
| Number of employees                         | 697       | 652       | 693       | 658       | 632       |
| <b>Ratios</b>                               |           |           |           |           |           |
| Profit margin                               | 5,5%      | 5,6%      | 2,7%      | 1,4%      | 2,4%      |
| Return on assets                            | 6,2%      | 5,2%      | 3,9%      | 1,9%      | 3,3%      |
| Solvency ratio                              | 50,1%     | 48,2%     | 33,4%     | 30,5%     | 26,1%     |
| Return on equity                            | 13,9%     | 73,6%     | 25,0%     | 16,3%     | 16,9%     |

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

As of 1 January 2018 the Company has merged with its Parent Company Crisplant Holding ApS. The financial highlights for the years 2014, 2015, 2016 and 2017 have not been adjusted and as such these figures only relate to BEUMER Group A/S before the merger.



# 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 2018 shows a profit of DKK 109.7 million and the Company's equity at 31 December 2018 amounts to DKK 839.4 million.

The Company's financial performance and financial development was overall as expected. The operating profit amounted to DKK 104.3 million, and the Company's financial performance including profits/losses from investments in group enterprises and associates was satisfactory, showing a profit of DKK 109.7 million.

As of 1 January 2018 the Company merged with its Parent Company Crisplant Holding ApS.

The merger was implemented using the uniting of interest method and the comparative figures in the annual report have been adjusted accordingly.

## 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 2019, the Company expects revenue in the range of DKK 1.7 – 1.9 billion, as well as a positive profit including investments in group enterprises and associates.

## Research and development

In the financial year, the Company has incurred development costs in the range of DKK 66.5 million. Of this amount DKK 62.5 million is included in the item "Development expenditure", which is not found to meet the criteria of capitalizing development costs. Moreover, development costs have been capitalized amounting to DKK 4.0 million.

# Management's Review

## Foreign branches

The Company has foreign branches in several countries. 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 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 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. CSR in BEUMER Group A/S is guided by the 10 Principles of the United Nations Global Compact.

## Corporate social responsibility policies

### *Ethics in the business*

The BEUMER Group 5 core values are:

1. Integrity and Ethics: We apply the highest ethical standards towards our customers, business partners, employees and the community. 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.
2. Customer Focus: We show the level of responsiveness, sense of urgency, and commitment our customers require and need. We won't make promises that we can't keep and will always deliver on the promises that we make.
3. Quality and Innovation: Quality Leadership drives our pursuit of excellence in our work, business processes, products, services, and in the quality of customer outcomes. Innovation defines our future and is the basis of cost-advantaged technology leadership that creates superior value for our stakeholders.

## Management's Review

4. Teamwork: We respect our employees' ideas and beliefs and encourage them to take pride and ownership in their actions. We create a winning environment that challenges our employees and helps them grow professionally as well as personally.

5. Sustainability: We commit to the idea of sustainability in the sense of balance between ecology, economy and social responsibility. We exceed the "Total Cost of Ownership" (TCO) approach and offer "Total Value of Ownership" (TVO) to our customers.

### *Occupational health & safety, labour standards and human rights*

BEUMER Group A/S will at all time comply with applicable occupational health and safety laws and regulations. We continually improve our health and safety performance and prevent accidents and illnesses. We will communicate internally and externally regarding our occupational health and safety performance and system. We will train and educate our employees for securing focus on health and safety aspects. We will set up yearly targets and action plans and follow up on the results and we will conduct safety rounds and report near misses.

BEUMER Group A/S's Occupational Health and Safety Management system has been certified according to OHSAS 18001 since 2009. A re-certification according to OHSAS 18001:2008 was achieved in 2018.

BEUMER Group A/S has no exclusive Policy for anti-corruption and Human Rights; seen in context of the Business. Products based on own design are produced primarily by Danish Supplier or in own production within BEUMER Group in Germany and China. All working in compliance with the UN Global Compact and the Danish/German legislation. Suppliers are evaluated and audited and no breach has been noticed.

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

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.

### *Environment and climate*

BEUMER Group A/S will protect the environment and comply with applicable environmental laws and regulations. We will continually reduce the environmental impacts during design, manufacturing, transportation, installation, use, service and end-of-life treatment of Material Handling Systems (product life-cycle perspective).

BEUMER Group A/S's Environmental Management System has been certified according to ISO 14001 since 2009. In 2018 BEUMER Group A/S was re-certified according to ISO 14001:2015 edition which has strengthened focus on the product life cycle perspective.

## Management's Review

BEUMER Group A/S has determined 5 significant environmental aspects of its activities, products and services that it can control and those that it can influence and their associated environmental impacts:

1. CO<sub>2</sub> emission from transport of goods to sites.
2. Environmental impacts at suppliers.
3. Energy consumption of systems at customers.
4. CO<sub>2</sub> emission from BEUMER Group A/S, Denmark.
5. Recycling of waste.

Significant environmental aspects can result in risks and opportunities associated with either adverse environmental impacts (threats) or beneficial environmental impacts (opportunities).

The significant environmental aspects have been determined based on the following criterion: Environmental score system (Quantity, Spread, Effect), compliance obligations, risk of acute pollution, needs and expectations of stakeholders, the UN Global Goal 12 (Responsible consumption and production) and UN Global Goal 13 (Climate Action).

The environmental objectives for the significant aspects are:

1. Reduce CO<sub>2</sub> emissions from transport of goods to site.
2. Reduce risk of adverse environmental impacts at suppliers.
3. Reduce energy consumption of systems and product life cycle costs (PLCC) at our customers.
4. Reduce CO<sub>2</sub> emission from BEUMER Group A/S, Denmark.
5. Increase recycling of waste materials to new valuable resources.

### *Responsible supply chain management*

According to the Quality Policy BEUMER Group A/S will supply and service customized system solutions in an agreed quality that meets the customer's and BEUMER Group A/S' requirements in accordance with applicable statutory and regulatory laws. With quality we mean: Supply of products and systems that create value to the customers, Project implementation at the agreed time, economy, quality and functionality, Continual improvement of our internal processes.

In agreement with the five core values - integrity and ethics, customer focus, quality and innovation, teamwork, sustainability - we have committed ourselves to the highest quality standards and to sustainable business development. We know that only a steady and sustained improvement of our products, processes and organization will ensure long-term success for all of us. Our pursuit of quality leadership drives us to deliver excellent performance in terms of our work, our processes, products, services and the quality of the results that our customers get. We are aware of our responsibility with regard to people, products and the environment. At BEUMER, we understand that true sustainability means finding the right balance between ecological demands, economic success and social responsibility

# Management's Review

BEUMER Group A/S's Quality Management System has been certified according to ISO 9001 since 1999. 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.

## ***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 has been trained, especially in the customers and suppliers facing divisions (anti corruption and anti bribery).

The BEUMER Group has changed dramatically over the past years and will certainly continue to do so: growth in business, internationalisation, increase in the number of employees, global expansion and increase in the complexity of projects are only some examples. To handle this business development and future challenges successfully, good leadership has become one of the key competitive factors.

Against this background we start an initiative 'Excellence in Leadership' which is strongly related to our excellence fields 'Corporate Identity' and 'People' from our Strategy 2018. The new strategy for 2023 is a continuation with defined Focus Topics. collaboration across countries and organisational borders is fundamental for us to create a successful business. Not only with engaged employees, but also with strong leaders we can achieve this.

In order to achieve a common understanding of how we want to lead people around the globe, 9 leadership principles are defined with input from 100 Managers. The 9 principles provide a binding framework for leadership behaviour in BEUMER Group.

Managers are role models for employees to follow. Managers communication and activities directly influence the overall success of the company. It is a manager task to live by- and advocate for the company values and put them into daily practice.

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

To ensure compliance BEUMER Group A/S reviews all applicable occupational health and safety laws and regulations, at least twice a year (monitoring program), 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 (WEO) 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 and the Head of QHSE as Chairman of this organisation conducts work place assessments. Consulted by the impartial company Ennova merge

## Management's Review

of Employee Engagement Survey (EES) and the Workplace Assessments (WPA) was conducted as an electronic survey for all employees in September 2018. The WPA covers physical and psychological working environment, sick leave due to working environment and offensive behavior. The questions regarding psychological working environment was a part of EES questions related to essential aspects defined by the National Research Centre for the Working Environment. The survey is anonymous, but it is possible for an employee to confirm if he/she wants to be contacted by the Chairman of the Working Environment Organisation regarding critical matters or offensive behavior. HR and QHSE corporate in setting up measures in alignment with the Executive Management level.

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 2016 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.

Improvements are implemented based on action plans in agreement with the Divisional Directors, HR, QHSE and the WEO. Based on risk assessments, recurrent safety rounds are conducted in the production area and on installation sites with focus on health and safety and environment, e.g. working methods/ergonomics, internal transport, hazardous substances, 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.

### *Environment and climate*

To ensure compliance applicable environmental laws and regulations are reviewed at least twice a year (QHSE monitoring program). 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. Procedures are updated accordingly.

With reference to the 5 significant environmental aspects BEUMER Group A/S has processes to achieve

## Management's Review

the environmental objectives:

1. Minimize express shipments and optimize container utilization.
2. Select suppliers with good HSE performance.
3. Develop new energy-efficient products and energy optimize existing products and systems.
4. Invest in energy-efficient installation.
5. Develop and maintain an effective waste management system.

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.

BEUMER Group A/S performs 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. Suppliers are recurrently being evaluated and critical suppliers are subject to audit on quality, health, safety and environmental performance. Many of our suppliers have production facilities in Denmark, which are recurrently visited and monitored by the QHSE.

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.

Top management reviews the Quality, Health, Safety and Environment Management System twice a year to ensure its continuing suitability, adequacy and effectiveness. The agenda includes risk and opportunities, supplier performance and result of audits.

### *Assessment of results achieved*

#### *Ethics in business*

To further develop our leadership culture and the leadership competences of each manager based on our leadership guidelines, two key measures will be available to support fulfilling this.

A Leadership Feedback Program has been introduced by Executive Management. The program is roll out worldwide and in BEUMER Group A/S 65 managers participated in a 270 leadership feedback process

## Management's Review

in 2018. Employees, Peers and Upper Management has been asked to give feedback. Areas based on the feedback result are selected. It is captured in the target program for the single manager with the purpose to support the single manager to improve.

Recently a Leadership Development program has been introduced in 2018 and will continue in 2019. This is headed up by Dr. Beumer and his team and include 4 modules of 2 days training pr. module. The headlines for the four modules are:

1. Leadership at BEUMER Group
2. Personality structures
3. Leadership Skills
4. Ownership

With our leadership principles we specify the 'Corporate Behaviour' part in our corporate identity and illustrate which behaviour we need in order to successfully implement our strategy and our common rules and procedures.

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*

BEUMER Group A/S has a well implemented procedure for handling accidents and near misses. In 2018 there were 7 working accidents with absence (87 lost work days). Severity of the accidents is divided into the 4 categories: Minor, Reversible, Irreversible and Catastrophic. In 2018 3 working accidents were irreversible and the other were minor or reversible.

The Working Environment Authority raised an enforcement notice towards BEUMER Group A/S regarding a working accident September 12, 2018. The measures that afterwards has been done in this context was approved by the Working Environment Authority and the enforcement notice was closed on 20 September 2018.

Since the OHSAS 18001 certification in 2009, BEUMER Group A/S has had a green crown smiley accessible on the Working Environment Authority homepage, but due to the enforcement notice in September 2018 BEUMER Group A/S now has a yellow smiley until March 2019.

To prevent working accidents "near-misses" are also reported and analyzed. For lessons learned the Working Environment Organisation is involved in the handling of all working accidents and near-misses.

The Danish Parliament has decided that the Working Environment Authority shall conduct investigations of 500 companies with an occupational health and safety certificate (OHSAS 18001) to



## Management's Review

gather knowledge about the certification bodies (e.g. Bureau Veritas) audit of the companies. In 2018 BEUMER Group A/S was selected and for 3 days the Working Environment Authority investigated the company. Procedures, Working Environment Organization (WEO), Workplace Assessments (WPA) results, action plans, risk assessments and many different workplaces were investigated.

The Working Environment Authority concluded that BEUMER Group A/S works actively to ensure good working environment by measures and investment in e.g. future workspace. No enforcement notice was given but significant working environment issues were raised concerning manual handling and light in the production area. New lifting equipment has been purchased and in Q1 2019 the existing fluorescent tube lamps will be replaced with new LED lamps to ensure the required level on minimum 300 lux.

In 2018 health and safety trainings of employees have been conducted and different projects to prevent working accidents, and improve ergonomics and hazardous substance management have been completed, e.g. implementation of safety knives, ergonomics consulting by external physiotherapist, lifting equipment and a new tool to our database of hazardous substances to identify substances of very high concern (ref. to EU candidate list).

Compared to 2016 the overall result of the Workplace Assessment 2018 (response rate 91%) showed that the psychological working environment has been improved on all 6 areas (6 gold grains), including Influence on own work, Meaningful work, Predictability, Social support, Respect & recognition, Requirements & resources. In the Workplace Assessment 2018, 3% of the employees reported bullying or harassment incidents. Benchmarked to Ennova's global client database this number is not high, and furthermore 50% reported that the problem has been or are being solved.

The Staff Association and Joint Consultation Committee offer different health promotion activities, including fitness facilities, lectures, canteen food committee and sports events with many participants. In 2018 a health check was offered to all employees including measurement of blood sugar, cholesterol, blood pressure, lung function screening and personal guidance. Based on an anonymous summary of the health checks an evaluation and assessment of new targeted health initiatives will be conducted in 2019.

When the 'Future Workspace' project is fully implemented in 2019 several initiatives will improve the working environment, e.g. activity-based seating, new ventilation system, acoustical solutions, improved light and common behavioral rules. There have been no deviations regarding Labour Standards during 2018.

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

BEUMER Group A/S occupational health and safety management system is certified according to OHSAS 18001. The OHSAS 18001 standard will be replaced with the new ISO 45001 standard and BEUMER Group A/S will aim for re-certification in 2020. Consulted by Bureau Veritas the re-certification process will in 2019 include GAP analysis of requirements and training in the organization.

# Management's Review

## *Environment and climate*

BEUMER Group A/S has no environmental outstanding issues with authorities or other stakeholders.

In 2018:

- Goods transported as express shipments (air and courier) to sites was 7%. Target was max. 10%.
- Average container utilization was 37 m3/container. Target was min. 40 m3 out of 60 m3 which is the size of the containers. As an example of improving container utilization sections of the new product 'Line sorter' has been designed to fit the length of containers.

Environmental requirements for suppliers have been updated and specified, including compliance with EU directives regarding restriction of hazardous substances. It is also stated that BEUMER Group A/S values and prefers suppliers who can demonstrate that they:

- are ISO 14001 certified or acting according to ISO 14001.
- have defined significant environmental aspects supporting the line of business
- have sustainable programs for energy- and CO2 reduction, material utilization, waste- and chemical management.
- utilize lorry trucks with 'EURO norm 6 filters' and who can provide CO2 emission reports on regular basis.

Furthermore, supplier approval- and evaluation forms have been updated according to the above. Targets for suppliers' environmental performance will be defined in 2019.

R&D has focus on implementing environmentally friendly technologies into our product range. LS 4000 sorters have set new standards for energy and CO2 efficiency. The LS 4000 sorters are equipped with energy efficient linear synchronous motor technology that reduces the overall PLCC (product life cycle cost) substantially without sacrificing speed, capacity, and reliability. 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 program.

As an example, is an American customer from an International Airport that has ambitious sustainability targets. The targets include the need to minimize the use of raw materials used in the construction phase and a reduction in energy consumption during system operation. The new BEUMER Group baggage handling system (CrisBag®) supports the customers commitment to meeting the Gold standard of the Leadership in Energy and Environmental Design (LEED) certificate.

Significant changes in EU requirements to energy efficiency (Ecodesign) for electrical motors and variable speed drives (VSD) is expected in January 2021 and July 2022. To ensure compliance with these requirements in our own product range QHSE has initiated an implementation plan involving Product Design & Engineering and Procurement. The innovative work regarding collection and usage of big data

## Management's Review

from systems at customers is in strong growth. Big data are currently collected from more sites and filed in the same database which allows benchmarking of key figures. Customers are very interested in energy consumption of their systems and how to improve the energy utilization and reduce product life cycle costs (PLCC). In 2019 BEUMER Group A/S will continue to investigate opportunities for defining scope and KPI, Mapping energy consumption at customers.

Due to the "Future Workspace" project building refurbishment was started up in 2017 and will continue until end of 2019. The "Future Workspace" project includes investments in energy-efficient installations, as replacement of fluorescent lamps to LED light with daylight sensors and exterior solar screens to reduce the need for cooling. Different internal IT projects as network, storage, uninterruptible power supply (UPS) and electronic hard disk drive for notebooks have resulted in reduced energy consumption. Phased out notebooks have been delivered to the authorized company Refurb who is specialized in trading with reused IT equipment.

Every year in May, BEUMER Group A/S supports the campaign "Bike to work" which is organized by The Danish Cyclists' Federation. The purpose of the campaign is to encourage more people to use their bike for everyday transportation and thereby improve their health and the environment. At BEUMER Group A/S waste is sorted and handled 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 76% of all waste was recycled in 2018. The remaining waste was treated on a plant for incineration which produce energy for district heating.

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

### *Responsible supply chain management*

In 2018 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 2018 38 non conformities were raised and 31 improvements suggested with focus on quality, health, safety and environment.

BEUMER Group A/S has occupational health and safety requirements for suppliers working on BEUMER Group sites or premises. In 2019 we will further specify these requirements in the terms and conditions to ensure a high level of safety on all sites around the world.

# 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 2019 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 2019 and onwards a minimum of 25% of the board members will be women.

# Management's Review

## ***Women on the board and in management***

Middle and senior management:

- Base 2018: 18%
- Target 2019: 20%
- Target 2022: 25%

Board:

- Base 2018: 0%
- Target 2019: 25%
- Target 2022: 25%

No women have been elected to the board in 2018, hence the target has not been met. On the middle and senior management level the policy has resulted in that the 2018 target was not achieved since 18% women was represented in the middle and senior management and the target was 20%.

## **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.

## **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 | 2018<br>kDKK     | 2017<br>kDKK     |
|---|------|------------------|------------------|
| <b>Revenue</b>                          | 1    | <b>1.883.977</b> | <b>1.453.470</b> |
| Production costs                        | 2    | -1.551.015       | -1.178.189       |
| <b>Gross profit/loss</b>                |      | <b>332.962</b>   | <b>275.281</b>   |
| Distribution expenses                   | 2    | -84.988          | -78.538          |
| Development expenditure                 | 2    | -62.533          | -37.854          |
| Administrative expenses                 | 2    | -81.173          | -77.898          |
| <b>Operating profit/loss</b>            |      | <b>104.268</b>   | <b>80.991</b>    |
| Income from investments in subsidiaries | 3    | 20.602           | 346.380          |
| Financial income                        | 4    | 17.455           | 10.939           |
| Financial expenses                      | 5    | -7.255           | -20.759          |
| <b>Profit/loss before tax</b>           |      | <b>135.070</b>   | <b>417.551</b>   |
| Tax on profit/loss for the year         | 6    | -25.392          | -9.480           |
| <b>Net profit/loss for the year</b>     |      | <b>109.678</b>   | <b>408.071</b>   |

# Balance Sheet 31 December

## Assets

|  | Note      | 2018<br>kDKK     | 2017<br>kDKK     |
|--|-----------|------------------|------------------|
| Completed development projects                   |           | 32.768           | 13.837           |
| Development projects in progress                 |           | 0                | 29.596           |
| <b>Intangible assets</b>                         | <b>7</b>  | <b>32.768</b>    | <b>43.433</b>    |
| Land and buildings                               |           | 11.382           | 11.789           |
| Plant and machinery                              |           | 6.677            | 7.160            |
| Other fixtures and fittings, tools and equipment |           | 8.767            | 9.793            |
| Leasehold improvements                           |           | 7.790            | 6.181            |
| Property, plant and equipment in progress        |           | 16.661           | 7.031            |
| <b>Property, plant and equipment</b>             | <b>8</b>  | <b>51.277</b>    | <b>41.954</b>    |
| Investments in subsidiaries                      | 9         | 19.026           | 8.130            |
| Receivables from group enterprises               | 10        | 31.835           | 50.453           |
| Other receivables                                | 10        | 183              | 174              |
| <b>Fixed asset investments</b>                   |           | <b>51.044</b>    | <b>58.757</b>    |
| <b>Fixed assets</b>                              |           | <b>135.089</b>   | <b>144.144</b>   |
| <b>Inventories</b>                               | <b>11</b> | <b>83.777</b>    | <b>90.386</b>    |
| Trade receivables                                |           | 162.882          | 143.623          |
| Contract work in progress                        | 12        | 133.760          | 150.464          |
| Receivables from group enterprises               |           | 849.072          | 679.600          |
| Other receivables                                | 13        | 36.997           | 26.489           |
| Deferred tax asset                               | 14        | 2.861            | 0                |
| Corporation tax                                  |           | 4.091            | 9.342            |
| Prepayments                                      | 15        | 9.260            | 14.319           |
| <b>Receivables</b>                               |           | <b>1.198.923</b> | <b>1.023.837</b> |
| <b>Cash at bank and in hand</b>                  |           | <b>258.259</b>   | <b>284.458</b>   |
| <b>Currents assets</b>                           |           | <b>1.540.959</b> | <b>1.398.681</b> |
| <b>Assets</b>                                    |           | <b>1.676.048</b> | <b>1.542.825</b> |

# Balance Sheet 31 December

## Liabilities and equity

|  | Note | 2018<br>kDKK     | 2017<br>kDKK     |
|--|------|------------------|------------------|
| Share capital  |      | 50.700           | 50.700           |
| Reserve for net revaluation under the equity method            |      | 16.675           | 5.136            |
| Reserve for development costs                                  |      | 11.604           | 12.433           |
| Retained earnings  |      | 760.390          | 675.608          |
| <b>Equity</b>  | 16   | <b>839.369</b>   | <b>743.877</b>   |
| Provision for deferred tax                                     | 14   | 0                | 7.520            |
| Other provisions   | 18   | 34.572           | 30.462           |
| <b>Provisions</b>  |      | <b>34.572</b>    | <b>37.982</b>    |
| Trade payables   |      | 223.645          | 241.020          |
| Contract work in progress, liabilities                         | 12   | 360.481          | 342.575          |
| Payables to group enterprises                                  |      | 65.493           | 63.656           |
| Corporation tax  |      | 16.285           | 3.259            |
| Other payables   | 13   | 131.849          | 106.186          |
| Deferred income  |      | 4.354            | 4.270            |
| <b>Short-term debt</b>   |      | <b>802.107</b>   | <b>760.966</b>   |
| <b>Debt</b>  |      | <b>802.107</b>   | <b>760.966</b>   |
| <b>Liabilities and equity</b>                                  |      | <b>1.676.048</b> | <b>1.542.825</b> |
| Distribution of profit   | 17   |                  |                  |
| Contingent assets, liabilities and other financial obligations | 19   |                  |                  |
| Related parties  | 20   |                  |                  |
| Fee to auditors appointed at the general meeting               | 21   |                  |                  |
| Subsequent events  | 22   |                  |                  |
| Accounting Policies  | 23   |                  |                  |



## Statement of Changes in Equity

|   | Share capital | Reserve for<br>net revaluation<br>under the<br>equity method | Reserve for<br>development<br>costs | Retained<br>earnings | Total          |
|---|---------------|--|-------------------------------------|----------------------|----------------|
|   | kDKK          | kDKK   | kDKK                                | kDKK                 | kDKK           |
| Equity at 1 January   | 50.700        | 5.136  | 12.433                              | 699.818              | 768.087        |
| Net effect from merger and acquisition under the<br>uniting of interests method | 0             | 0  | 0                                   | -24.210              | -24.210        |
| Adjusted equity at 1 January  | 50.700        | 5.136  | 12.433                              | 675.608              | 743.877        |
| Exchange adjustments  | 0             | -322   | 0                                   | 0                    | -322           |
| Fair value adjustment of hedging instruments,<br>end of year                    | 0             | 0  | 0                                   | -17.775              | -17.775        |
| Tax on adjustment of hedging instruments for<br>the year                        | 0             | 0  | 0                                   | 3.911                | 3.911          |
| Development costs for the year  | 0             | 0  | 3.142                               | -3.142               | 0              |
| Depreciation, amortisation and impairment for<br>the year                       | 0             | 0  | -3.971                              | 3.971                | 0              |
| Net profit/loss for the year  | 0             | 11.861   | 0                                   | 97.817               | 109.678        |
| <b>Equity at 31 December</b>  | <b>50.700</b> | <b>16.675</b>  | <b>11.604</b>                       | <b>760.390</b>       | <b>839.369</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.

|  | 2018<br>kDKK   | 2017<br>kDKK   |
|--|----------------|----------------|
| <b>2 Staff</b>   |                |                |
| Wages and Salaries   | 428.118        | 381.874        |
| Pensions   | 32.984         | 28.858         |
| Other social security expenses                                     | 8.073          | 7.330          |
|  | <b>469.175</b> | <b>418.062</b> |
| Including remuneration to the Executive and Supervisory Boards of: |                |                |
| Executive Board  | 16.806         | 15.451         |
| Supervisory Board  | 90             | 90             |
|  | <b>16.896</b>  | <b>15.541</b>  |
| <b>Average number of employees</b>                                 | <b>697</b>     | <b>652</b>     |
| <b>3 Income from investments in subsidiaries</b>                   |                |                |
| Share of profits of subsidiaries                                   | 16.013         | 31.173         |
| Profit from sale of subsidiaries                                   | 4.589          | 315.207        |
|  | <b>20.602</b>  | <b>346.380</b> |
| <b>4 Financial income</b>  |                |                |
| Interest received from group enterprises                           | 12.671         | 4.197          |
| Other financial income   | 221            | 31             |
| Exchange adjustments   | 4.563          | 6.711          |
|  | <b>17.455</b>  | <b>10.939</b>  |

## Notes to the Financial Statements

|  | 2018<br>kDKK  | 2017<br>kDKK  |
|--|---------------|---------------|
| <b>5 Financial expenses</b>                          |               |               |
| Interest paid to group enterprises                   | 27            | 1.440         |
| Other financial expenses                             | 2.696         | 1.729         |
| Exchange adjustments, expenses                       | 4.532         | 17.590        |
|  | <b>7.255</b>  | <b>20.759</b> |
| <b>6 Tax on profit/loss for the year</b>             |               |               |
| Current tax for the year                             | 32.237        | 5.765         |
| Deferred tax for the year                            | -10.303       | 19.500        |
| Adjustment of tax concerning previous years          | -453          | -2.430        |
| Adjustment of deferred tax concerning previous years | 0             | -3.886        |
|  | <b>21.481</b> | <b>18.949</b> |
| which breaks down as follows:                        |               |               |
| Tax on profit/loss for the year                      | 25.392        | 9.480         |
| Tax on changes in equity                             | -3.911        | 9.469         |
|  | <b>21.481</b> | <b>18.949</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                                 | 116.689                                      | 29.596   |
| Additions for the year                            | 0  | 4.029  |
| Transfers for the year                            | 33.625                                       | -33.625  |
| Cost at 31 December                               | 150.314                                      | 0  |
| Impairment losses and amortisation at 1 January   | 102.852                                      | 0  |
| Amortisation for the year                         | 14.694                                       | 0  |
| Impairment losses and amortisation at 31 December | 117.546                                      | 0  |
| <b>Carrying amount at 31 December</b>             | <b>32.768</b>                                | <b>0</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.

# 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                        | 127.078                        | 80.334  | 9.137                             | 7.031   |
| Exchange adjustment                                       | 0                             | 0                              | 138   | 0                                 | 0   |
| Additions for the year                                    | 125                           | 5.092                          | 2.858   | 2.585                             | 15.173  |
| Disposals for the year                                    | 0                             | 0                              | -52   | 0                                 | -5.543  |
| Cost at 31 December                                       | 15.239                        | 132.170                        | 83.278  | 11.722                            | 16.661  |
| Impairment losses and depreciation at 1<br>January        | 3.325                         | 119.918                        | 70.541  | 2.956                             | 0   |
| Exchange adjustment                                       | 0                             | 0                              | 125   | 0                                 | 0   |
| Depreciation for the year                                 | 532                           | 5.575                          | 3.897   | 976                               | 0   |
| Reversal of impairment and depreciation of<br>sold assets | 0                             | 0                              | -52   | 0                                 | 0   |
| Impairment losses and depreciation at 31<br>December      | 3.857                         | 125.493                        | 74.511  | 3.932                             | 0   |
| <b>Carrying amount at 31 December</b>                     | <b>11.382</b>                 | <b>6.677</b>                   | <b>8.767</b>  | <b>7.790</b>                      | <b>16.661</b>   |

## Notes to the Financial Statements

|                                       | 2018<br>kDKK  | 2017<br>kDKK |
|---------------------------------------|---------------|--------------|
| <b>9 Investments in subsidiaries</b>  |               |              |
| Cost at 1 January                     | 2.993         | 26.035       |
| Disposals for the year                | -642          | -23.042      |
| Cost at 31 December                   | 2.351         | 2.993        |
| Value adjustments at 1 January        | 5.137         | 144.856      |
| Disposals for the year                | -3.457        | -138.437     |
| Exchange adjustment                   | -7            | -661         |
| Net profit/loss for the year          | 15.002        | -621         |
| Value adjustments at 31 December      | 16.675        | 5.137        |
| <b>Carrying amount at 31 December</b> | <b>19.026</b> | <b>8.130</b> |

Investments in subsidiaries are specified as follows:

| Name                             | Place of<br>registered office | Votes and<br>ownership |
|----------------------------------|-------------------------------|------------------------|
| Crisplant Airport Systems L.L.C. | Abu Dhabi                     | 100%                   |
| Crisplant (Shanghai) Co., Ltd.   | China                         | 100%                   |

# 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   | 174                            |
| Exchange adjustment                   | 0  | 9                              |
| Disposals for the year                | -18.618  | 0                              |
| Cost at 31 December                   | 31.835   | 183                            |
| <b>Carrying amount at 31 December</b> | <b>31.835</b>                                    | <b>183</b>                     |

## 11 Inventories

|                                     | 2018<br>kDKK  | 2017<br>kDKK  |
|-------------------------------------|---------------|---------------|
| Raw materials and consumables       | 9.986         | 17.129        |
| Work in progress                    | 24.515        | 27.295        |
| Finished goods and goods for resale | 49.276        | 45.962        |
|                                     | <b>83.777</b> | <b>90.386</b> |

## 12 Contract work in progress

|  |                 |                 |
|--|-----------------|-----------------|
| Selling price of work in progress              | 2.633.673       | 2.175.459       |
| Payments received on account                   | -2.860.394      | -2.367.570      |
|  | <b>-226.721</b> | <b>-192.111</b> |
| Recognised in the balance sheet as follows:    |                 |                 |
| Contract work in progress recognised in assets | 133.760         | 150.464         |
| Prepayments received recognised in debt        | -360.481        | -342.575        |
|  | <b>-226.721</b> | <b>-192.111</b> |

# Notes to the Financial Statements

## 13 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:

|             | 2018<br>kDKK | 2017<br>kDKK |
|-------------|--------------|--------------|
| Assets      | 0            | 10.066       |
| Liabilities | 14.922       | 0            |

Forward exchange contracts have been concluded to hedge future sale and purchases of goods in AED, AUD, CAD, CNY, GBP, HKD, KWD, QAR, SGD and USD. At the balance sheet date, the fair value of the forward exchange contracts amounts to DKK -14,922k. Sale of goods in the above mentioned currencies has been hedged for a period up to 24 months for an amount of AED 8,385k, AUD 20,478k, CAD 39,799k, CNY 34,293k, DKK 640k, GBP 1,369k, HKD 3,816k, KWD 20,792k, QAR 8,115k, SGD 2,015k and USD 47,300k. Purchases of goods in the above mentioned currencies has been hedged for a period up to 18 months for an amount of AED 9,236k and CNY 698k.

## 14 Deferred tax asset

|   |              |               |
|---|--------------|---------------|
| Deferred tax asset at 1 January                         | -7.520       | 8.344         |
| Amounts recognised in the income statement for the year | 6.392        | -10.031       |
| Amounts recognised in equity for the year               | 3.911        | -9.469        |
| Adjustment of deferred tax concerning previous years    | 78           | 3.636         |
| <b>Deferred tax asset at 31 December</b>                | <b>2.861</b> | <b>-7.520</b> |

## 15 Prepayments

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

## 16 Equity

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



## Notes to the Financial Statements

|   | 2018<br>kDKK   | 2017<br>kDKK   |
|---|----------------|----------------|
| <b>17 Distribution of profit</b>                    |                |                |
| Reserve for net revaluation under the equity method | 11.861         | -623           |
| Retained earnings                                   | 97.817         | 408.694        |
|   | <b>109.678</b> | <b>408.071</b> |

## 18 Other provisions

|                  |               |               |
|------------------|---------------|---------------|
| Warranties       | 34.222        | 30.462        |
| Other provisions | 350           | 0             |
|                  | <b>34.572</b> | <b>30.462</b> |

The provisions are expected to mature as follows:

|                       |               |               |
|-----------------------|---------------|---------------|
| Within 1 year         | 20.630        | 18.222        |
| Between 1 and 5 years | 13.942        | 12.240        |
|                       | <b>34.572</b> | <b>30.462</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

|  | 2018<br>kDKK | 2017<br>kDKK |
|--|--------------|--------------|
| <b>19 Contingent assets, liabilities and other financial obligations</b>   |              |              |
| <b>Rental and lease obligations</b>  |              |              |
| Commitments under rental agreements or leases until expiry   | 14.058       | 3.974        |
| Commitments under rental agreements or leases with group enterprises until expiry  | 39.991       | 49.386       |
| <b>Guarantee obligations</b>   |              |              |
| The Company has provided six group guarantees to customers belonging to BEUMER Group UK Limited, two group guarantees to customers belonging to BEUMER Group Hong Kong Company Ltd., one group guarantee to a customer belonging to OOO BEUMER, one group guarantee to a customer belonging to BEUMER Group Canada Corporationon, one group guarantee to a customer belonging to BEUMER Maschinenfabrik GmbH & Co, as well as one parent guarantee to a customer belonging to Crisplant Airport Systems L.L.C. The project values relating to these guarantees are | 3.117.552    | 2.645.624    |
| The Company's banks have provided bank guarantees to the Company's and the group enterprises' customers of a total amount of   | 494.525      | 501.686      |

# Notes to the Financial Statements

## 20 Related parties

|  | <u>Basis</u>    |
|--|-----------------|
| <b>Controlling interest</b>                    |                 |
| BEUMER Group GmbH & Co. KG, reg. no. HR A 7260 | 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

|  | 2018<br>kDKK | 2017<br>kDKK |
|--|--------------|--------------|
| <b>21 Fee to auditors appointed at the general meeting</b> |              |              |
| <b>PricewaterhouseCoopers</b>                              |              |              |
| Audit fee  | 425          | 449          |
| Tax advisory services                                      | 728          | 667          |
| Other services   | 176          | 324          |
|  | <b>1.329</b> | <b>1.440</b> |

## 22 Subsequent events

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

# Notes to the Financial Statements

## 23 Accounting Policies

The Annual Report of BEUMER Group A/S for 2018 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.

As of 1 January 2018 the Company merged with its Parent Company Crisplant Holding ApS.

The merger was implemented using the uniting of interest method and the comparative figures in the annual report have been adjusted accordingly.

The Financial Statements for 2018 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.

## 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.

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.



# Notes to the Financial Statements

## 23 Accounting Policies (continued)

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.

### Other fixed asset investments

Other fixed asset investments consist of receivables from group enterprises.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### 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.

### Prepayments

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

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### 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.

### Financial debts

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

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### 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 | $\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$      |