
BEUMER Group A/S

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

Annual Report for 1 January - 31 December 2019

CVR No 12 65 56 81

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
26/5 2020

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 2019.

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 2019 of the Company and of the results of the Company operations for 2019.

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, 26 May 2020

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

Henrik Hagemann

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 2019, 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, 26 May 2020

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
Henrik Hagemann

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:

	2019 kDKK	2018 kDKK	2017 kDKK	2016 kDKK	2015 kDKK
Key figures					
Profit/loss					
Revenue	1.810.369	1.883.977	1.453.470	1.574.070	1.461.728
Gross profit/loss	365.688	332.962	275.281	234.576	207.971
Operating profit/loss	115.833	104.268	80.991	42.608	20.473
Net financials	87	30.802	336.560	55.740	32.584
Net profit/loss for the year	88.963	109.678	408.071	85.758	48.695
Balance sheet					
Balance sheet total	1.385.918	1.676.048	1.542.825	1.092.716	1.053.840
Equity	412.608	839.369	743.877	364.758	321.386
Investment in property, plant and equipment	43.640	25.781	12.385	5.579	10.111
Number of employees	738	697	652	693	658
Ratios					
Profit margin	6,4%	5,5%	5,6%	2,7%	1,4%
Return on assets	8,4%	6,2%	5,2%	3,9%	1,9%
Solvency ratio	29,8%	50,1%	48,2%	33,4%	30,5%
Return on equity	14,2%	13,9%	73,6%	25,0%	16,3%

The ratios have been prepared in accordance with the definitions stated under accounting policies.

As of 1 January 2018 the Company merged with Crisplant Holding ApS. The financial highlights for the years 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 2019 shows a profit of DKK 89.0 million and the Company's equity at 31 December 2019 amounts to DKK 412.6 million.

The Company's financial performance and financial development was overall as expected. The operating profit amounted to DKK 115.8 million, and the Company's financial performance including profits/losses from investments in group enterprises and associates was satisfactory, showing a profit of DKK 89.0 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

The COVID-19 outbreak will have a negative impact on the Company's future expectations and the initiatives instituted by the governments throughout the world in order to mitigate the effects of the outbreak, cf. the coverage of the events of the balance sheet date in note 23.

Before the COVID-19 outbreak the Company expected a revenue for the financial year 2020 in the range of DKK 1.7 – 1.9 billion, as well as a positive profit including investments in group enterprises and associates. Although many of the Company's customers have indicated that they maintain ongoing projects and orders, there is a risk that revenue and earnings will decrease as a result of the COVID-19 outbreak. Management is closely monitoring the development, however it is too early to say whether and if so what effect the COVID-19 outbreak will have on revenue and earnings in 2020. However, Management anticipate the expected development to be adversely affected.

Research and development

In the financial year, the Company has incurred development costs in the range of DKK 82.0 million. The total of this amount is included in the item "Development expenditure", which is not found to meet the criteria of capitalizing development costs. Therefore, no development costs have been capitalized in 2019.

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 many 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. 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.

BEUMER Group A/S have no exclusive Policy for anti-corruption and Human Rights; seen in context of the Business. Products based on their own design are produced primarily by Danish Suppliers or in their own production 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. The ISO 14001:2015 edition has strengthened focus on the product life cycle perspective.

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:

Management's Review

1. CO2 emission from transport of goods to sites.
2. Environmental impacts at suppliers.
3. Energy consumption of systems at customers.
4. CO2 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 CO2 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 CO2 emission from BEUMER Group A/S, Denmark.
5. Increase recycling of waste materials to new valuable resources.

Sustainability is part of the Strategy S23 and per Executive Management directive to further elaborate on how BEUMER A/S can implement measures (short- and long term) to support UN Sustainable Development Goals. Communication with all employees will be in focus to ensure involvement and sharpen the awareness among them in 2020.

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. 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.

BEUMER Group is a project-oriented business and projects are executed by processes based on the PMBOK, PMI standard. To achieve the right competence level among project managers several world-wide project managers are attending a PMI process training by an external company with examination and achievement of an official PMP certificate. A number (approx. 70% out of 100%) have been trained in 2019 and the training plan will continue in 2020.

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.

Management's Review

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 workplace assessments. Consulted by the impartial company Ennova merge of Employee Engagement Survey (EES) and the Workplace Assessments (WPA) are conducted as an electronic survey for all employees. The WPA covers physical and psychological working environment, sick leave due to the working environment and offensive behaviour. The questions regarding the 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 behaviour. P&C and QHSE corporate in setting up measures in alignment with the Executive Management level.

By the end of 2019 coordinated efforts with focus on Mental Health have been defined by Executive Management, P&C and QHSE for execution in 2020; An awareness and training program called "Prevention and handling of Stress" by a CRECEA Working and Organisation Psychologist for all managers in a basic and an advanced training module. Furthermore, training will be conducted for Working Environment Organization and Union representatives and an information meeting will be offered to all employees.

A health program, "Sundhedsinitiativ", has been planned by QHSE, P&C and the Staff Association and will be launched in 2020 with monthly themes about food, ergonomics and mental health.

The plan for replacing OHSAS 18001 with ISO 45001 for Occupational Health and Safety Management was planned in 2019. In 2020 training in the standard will be conducted by Bureau Veritas and updates will be implemented before certification in 2020.

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 next ESS/WPA will be conducted in 2020.

The feedback from former 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.

Improvements are implemented based on action plans in agreement with the Divisional Directors, P&C, 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.

Management's Review

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 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.

Management's Review

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 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 was introduced in 2018 / 2019 and will continue in 2020. This is headed up by Dr. Beumer and his team and includes 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. More 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.

Management's Review

Health & safety, labour standards and human rights

Due to the OHSAS 18001 certification BEUMER Group A/S has a green crown smiley accessible on the Working Environment Authority homepage.

A working environment objective is to prevent accidents at work and BEUMER Group A/S has a well implemented procedure for handling accidents and near-misses. In 2019 there were 0.25 working accidents with absence/month (objective: maximum 0.17) and 0.66 lost working days/month (objective: maximum 1.00). Severity of the accidents is divided into the 4 categories: Minor, Reversible, Irreversible and Catastrophic. In 2019 0 the working accidents were minor or reversible only. After 2018 with more working accidents with absence we are now back on track with less severe and less working accidents as a result of ongoing preventive actions.

To prevent working accidents "near-misses" are also reported and analysed. 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 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 a 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 was purchased and in Q1 2019 the existing fluorescent tube lamps were replaced with new LED lamps to ensure the required level of minimum 300 lux.

In 2019 health and safety trainings of employees have been conducted and different projects to prevent working accidents and improve the working environment have been completed, e.g. ergonomics consulting by external physiotherapist, new forklift trucks with warning lights, new ventilation system in wood-packaging workshop, epoxy treatment of concrete floors, automatic storage racks, ergonomic mats and noise-absorbing baffles and a new tool in our chemical management system which helps identifying possibly substances of very high concern (SVHC), ref. to EU candidate list.

The 'Future Workspace' project was fully implemented in 2019 where several initiatives have improved the working environment, e.g. activity-based seating, new ventilation system, acoustical solutions, improved light, common behavioural rules and new training facilities. The new training facilities have resulted in more sessions for global employees across functions and cultures towards common understanding of values and business processes in BEUMER Group. After implementation of the 'Future Workspace' 100 days evaluations have been conducted to identify employee satisfaction level with the new concept and to prioritize adjustments to improve the working environment.

There have been no deviations regarding Labour Standards during 2019.

Management's Review

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.

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

Environment and climate

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

In 2019:

- Goods transported as express shipments (air and courier) to sites was 13.9%. Target was max. 1% and reduced from 10% in 2018. The reason for exceeding the target was due to one project in Australia where delays in design and deliveries required that elements were shipped by air.
- Average container utilization was 104%. Target was min. 100% (Defined as 40 m3 out of 60 m3 which is the size of the 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.

R&D has focused on implementing environmentally friendly technologies into our product range. Our sortation systems have set new standards for energy and CO2 efficiency which 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 (PP and PE). 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.

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 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

Management's Review

consumption of their systems and how to improve the energy utilization and reduce product life cycle costs (PLCC). In 2020 BEUMER Group A/S will continue to investigate opportunities for defining scope and KPI, Mapping energy consumption at customers.

Electronics in our systems is RoHS II compliant. The goal of RoHS (Reduction of Hazardous Substances) is to reduce the environmental effect and health impact of electronics (heavy metals, flame retardants, plasticizers).

Customers questionnaires in the sales phase confirm that eco-designs and sustainable solutions are requested. As an example, an American customer from an International Airport had ambitious sustainability targets including 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 meet the Gold standard of the Leadership in Energy and Environmental Design (LEED) certificate. Due to the "Future Workspace" project building refurbishment was completed in 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.

More improvements in 2019 have been completed to reduce CO₂ emission, e.g. energy efficient operation and charging of new forklift trucks, fluorescent tube lamps replaced with new LED lamps, leaks in the compressed air system detected and fixed and oil burner replaced by district heating. In the parking area of BEUMER Group A/S employees are offered 3 electric vehicle charging stations.

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.

Other examples on environmental efforts in 2019: Employees can buy leftovers in the canteen to reduce food waste, phased out PC displays offered to employees for home use and plastic cups at the coffee machines have been replaced with cups made of paper (FSC marked -Forest Stewardship Council) with PE coating.

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 79% of all waste was recycled in 2019. The remaining waste was treated on a plant for incineration which produces energy for district heating.

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

Responsible supply chain management

In 2019 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 sites. In 2019 36 non-conformities were raised and 29 improvements suggested with focus on quality, health, safety and

Management's Review

environment.

BEUMER Group A/S has occupational health and safety requirements for suppliers working on BEUMER Group sites or premises. In 2020 we will further specify these requirements in the terms and conditions to ensure a high level of safety on all sites around the world.

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 2020 a minimum of 20% of middle and senior management positions will be held by women
- In 2023 a minimum of 25% of middle and senior management positions will be held by women
- In 2020 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 2019: 15%
- Target 2020: 20%
- Target 2023: 25%

Board:

- Base 2019: 0%
- Target 2020: 25%
- Target 2023: 25%

No women have been elected to the board in 2019, hence the target has not been met. On the middle and senior management level the policy has resulted in that the 2019 target was not achieved since 15% women was represented in the middle and senior management and the target was 20%.

Management's Review

Uncertainty relating to recognition and measurement

The Company is involved in several large projects, whose 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.

Income Statement 1 January - 31 December

	Note	2019 kDKK	2018 kDKK
Revenue	1	1.810.369	1.883.977
Production costs	2	-1.444.681	-1.551.015
Gross profit/loss		365.688	332.962
Distribution expenses		-93.265	-84.988
Development expenditure		-81.997	-62.533
Administrative expenses		-74.593	-81.173
Operating profit/loss		115.833	104.268
Income from investments in subsidiaries	3	-3.565	20.602
Financial income	4	20.509	17.455
Financial expenses	5	-16.857	-7.255
Profit/loss before tax		115.920	135.070
Tax on profit/loss for the year	6	-26.957	-25.392
Net profit/loss for the year		88.963	109.678

Balance Sheet 31 December

Assets

	Note	2019 kDKK	2018 kDKK
Completed development projects		15.271	32.768
Intangible assets	8	15.271	32.768
Land and buildings		10.845	11.382
Plant and machinery		11.755	6.677
Other fixtures and fittings, tools and equipment		18.188	8.767
Leasehold improvements		41.378	7.790
Property, plant and equipment in progress		2.265	16.661
Property, plant and equipment	9	84.431	51.277
Investments in subsidiaries	10	15.816	19.026
Receivables from group enterprises	11	18.670	31.835
Other receivables	11	187	183
Fixed asset investments		34.673	51.044
Fixed assets		134.375	135.089
Inventories	12	100.903	83.777
Trade receivables		170.092	162.882
Contract work in progress	13	158.279	133.760
Receivables from group enterprises		398.541	849.072
Other receivables		36.866	36.997
Deferred tax asset	14	9.515	2.861
Corporation tax		12.722	4.091
Prepayments	15	39.858	9.260
Receivables		825.873	1.198.923
Cash at bank and in hand		324.767	258.259
Currents assets		1.251.543	1.540.959
Assets		1.385.918	1.676.048

Balance Sheet 31 December

Liabilities and equity

	Note	2019 kDKK	2018 kDKK
Share capital		50.700	50.700
Reserve for net revaluation under the equity method		13.465	16.675
Reserve for development costs		6.382	11.604
Retained earnings		307.061	760.390
Proposed dividend for the year		35.000	0
Equity	16	412.608	839.369
Other provisions	17	68.402	34.572
Provisions		68.402	34.572
Trade payables		238.439	223.645
Contract work in progress, liabilities	13	449.209	360.481
Payables to group enterprises		40.111	65.493
Corporation tax		1.273	16.285
Other payables	18	170.812	131.849
Deferred income	19	5.064	4.354
Short-term debt		904.908	802.107
Debt		904.908	802.107
Liabilities and equity		1.385.918	1.676.048
Distribution of profit	7		
Contingent assets, liabilities and other financial obligations	20		
Related parties	21		
Fee to auditors appointed at the general meeting	22		
Subsequent events	23		
Accounting Policies	24		

Statement of Changes in Equity

	Share capital	Reserve for net revalua- tion under the equity method	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	kDKK	kDKK	kDKK	kDKK	kDKK	kDKK
Equity at 1 January	50.700	16.675	11.604	760.390	0	839.369
Exchange adjustments	0	356	0	0	0	356
Extraordinary dividend paid	0	0	0	-491.818	0	-491.818
Fair value adjustment of hedging instruments, end of year	0	0	0	-31.105	0	-31.105
Tax on adjustment of hedging instruments for the year	0	0	0	6.843	0	6.843
Depreciation, amortisation and impairment for the year	0	0	-5.222	5.222	0	0
Net profit/loss for the year	0	-3.566	0	57.529	35.000	88.963
Equity at 31 December	50.700	13.465	6.382	307.061	35.000	412.608

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.

	2019 kDKK	2018 kDKK
2 Staff		
Wages and Salaries	466.515	428.118
Pensions	35.270	32.984
Other social security expenses	9.119	8.073
	510.904	469.175
Including remuneration to the Executive and Supervisory Boards of:		
Executive Board	17.596	16.806
Supervisory Board	90	90
	17.686	16.896
Average number of employees	738	697

3 Income from investments in subsidiaries

Share of profits of subsidiaries	0	16.013
Share of losses of subsidiaries	-3.565	0
Profit from sale of subsidiaries	0	4.589
	-3.565	20.602

4 Financial income

Interest received from group enterprises	7.513	12.671
Other financial income	229	221
Exchange adjustments	12.767	4.563
	20.509	17.455

Notes to the Financial Statements

	2019 kDKK	2018 kDKK
5 Financial expenses		
Impairment losses on financial assets	2.690	0
Interest paid to group enterprises	0	27
Other financial expenses	3.064	2.696
Exchange adjustments, expenses	11.103	4.532
	16.857	7.255
6 Tax on profit/loss for the year		
Current tax for the year	27.365	32.237
Deferred tax for the year	-7.278	-10.303
Adjustment of tax concerning previous years	27	-453
	20.114	21.481
which breaks down as follows:		
Tax on profit/loss for the year	26.957	25.392
Tax on changes in equity	-6.843	-3.911
	20.114	21.481
7 Distribution of profit		
Extraordinary dividend paid	491.818	0
Proposed dividend for the year	35.000	0
Reserve for net revaluation under the equity method	-3.566	11.861
Retained earnings	-434.289	97.817
	88.963	109.678

Notes to the Financial Statements

8 Intangible assets

	Completed development projects kDKK
Cost at 1 January	150.314
Cost at 31 December	150.314
Impairment losses and amortisation at 1 January	117.546
Amortisation for the year	17.497
Impairment losses and amortisation at 31 December	135.043
Carrying amount at 31 December	15.271

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

9 Property, plant and equipment

	Land and buildings kDKK	Plant and machinery kDKK	Other fixtures and fittings, tools and equipment kDKK	Leasehold improvements kDKK	Property, plant and equipment in progress kDKK
Cost at 1 January	15.239	132.170	83.278	11.722	16.661
Exchange adjustment	0	0	103	0	0
Additions for the year	0	8.872	13.827	35.337	1.664
Disposals for the year	0	0	-407	0	-16.060
Cost at 31 December	15.239	141.042	96.801	47.059	2.265
Impairment losses and depreciation at 1 January	3.857	125.493	74.511	3.932	0
Exchange adjustment	0	0	97	0	0
Depreciation for the year	537	3.794	4.264	1.749	0
Reversal of impairment and depreciation of sold assets	0	0	-259	0	0
Impairment losses and depreciation at 31 December	4.394	129.287	78.613	5.681	0
Carrying amount at 31 December	10.845	11.755	18.188	41.378	2.265

Notes to the Financial Statements

10 Investments in subsidiaries

	2019 kDKK	2018 kDKK
Cost at 1 January	2.351	2.993
Disposals for the year	0	-642
Cost at 31 December	2.351	2.351
Value adjustments at 1 January	16.675	5.137
Disposals for the year	0	-3.457
Exchange adjustment	355	-7
Net profit/loss for the year	-3.565	15.002
Value adjustments at 31 December	13.465	16.675
Carrying amount at 31 December	15.816	19.026

Investments in subsidiaries are specified as follows:

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

Notes to the Financial Statements

11 Other fixed asset investments

	Receivables from group enterprises kDKK	Other receiv- ables kDKK
Cost at 1 January	31.835	183
Exchange adjustment	0	4
Additions for the year	4.483	0
Disposals for the year	-14.958	0
Cost at 31 December	21.360	187
Impairment losses for the year	2.690	0
Impairment losses at 31 December	2.690	0
Carrying amount at 31 December	18.670	187

12 Inventories

	2019 kDKK	2018 kDKK
Raw materials and consumables	15.944	9.986
Work in progress	58.006	24.515
Finished goods and goods for resale	26.953	49.276
	100.903	83.777

13 Contract work in progress

Selling price of work in progress	2.339.653	2.633.673
Payments received on account	-2.630.583	-2.860.394
	-290.930	-226.721
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	158.279	133.760
Prepayments received recognised in debt	-449.209	-360.481
	-290.930	-226.721

Notes to the Financial Statements

	2019 kDKK	2018 kDKK
14 Deferred tax asset		
Deferred tax asset at 1 January	2.861	-7.520
Amounts recognised in the income statement for the year	435	6.392
Amounts recognised in equity for the year	6.843	3.911
Adjustment of deferred tax concerning previous years	-624	78
Deferred tax asset at 31 December	9.515	2.861

The Company expects the recognised tax asset to be utilised within a few years based on the budgets for the coming years.

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.

17 Other provisions

Warranties	46.062	34.222
Other provisions	22.340	350
	68.402	34.572
The provisions are expected to mature as follows:		
Within 1 year	40.798	20.630
Between 1 and 5 years	27.604	13.942
	68.402	34.572

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 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:

	2019 kDKK	2018 kDKK
Liabilities	38.557	14.922

Forward exchange contracts have been concluded to hedge future sale of goods and purchases of goods in AUD, CAD, CNY, AED, GBP, HKD, KWD, SGD, USD and ZAR. At the balance sheet date, the fair value of the forward exchange contracts amounts to DKK -38,557k. Sale of goods in the above mentioned currencies has been hedged for a period up to 27 months for an amount of AUD 2,068k, CAD 23,113k, CNY 7,898k, GBP 596k, HKD 2,773k, KWD 15,611k, SGD 20,934k, USD 36,649k and ZAR 39,429k.

Purchases of goods in the above mentioned currencies has been hedged for a period up to 7 months for an amount of AED 2,904k.

19 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

	2019 kDKK	2018 kDKK
20 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Commitments under rental agreements or leases until expiry	37.761	14.058
Commitments under rental agreements or leases with group enterprises until expiry	30.360	39.991
Guarantee obligations		
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, one group guarantee to a customer belonging to BEUMER Doha WLL (BDO), 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	3.573.652	3.117.552
The Company's banks have provided bank guarantees to the Company's and the group enterprises' customers of a total amount of	586.542	494.525

Notes to the Financial Statements

21 Related parties

	<u>Basis</u>
Controlling interest	
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

	2019 kDKK	2018 kDKK
22 Fee to auditors appointed at the general meeting		
PricewaterhouseCoopers		
Audit fee	425	425
Other assurance engagements	24	0
Tax advisory services	696	728
Other services	450	176
	1.595	1.329

23 Subsequent events

The Company is involved in several large projects, whose 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.

BEUMER Group A/S faces challenges regarding the COVID-19 outbreak in 2020 – both in the short and medium term. It is difficult to execute projects efficiently due to various restrictions, such as working from home, travel bans and delays in our supply chain. Furthermore, it is expected that our customers will be affected by this on the medium term, especially our airport customers, where the willingness to invest might decrease and new projects may be postponed.

Notes to the Financial Statements

24 Accounting Policies

The Annual Report of BEUMER Group A/S for 2019 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 2019 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

24 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.

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 econo-

Notes to the Financial Statements

24 Accounting Policies (continued)

mic 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.

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.

Notes to the Financial Statements

24 Accounting Policies (continued)

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

24 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, 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

24 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

24 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

24 Accounting Policies (continued)

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

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