EagleBurgmann KE A/S

Odinsvej 1, Rindum, 6950 Ringkøbing

CVR no. 13 43 66 81

Annual report
for the year 1 January - 31 December 2019

Approved at the Company's annual general meeting on 27 August 2020

Chairman:

Merődy Ádám

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Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of EagleBurgmann KE 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 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.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Ringkøbing, 27 August 2020
Executive Board:

Frank Steen Sumborg

Board of Directors:

Dr. Andreas Klaus Oswald Raps Chairman	Babak Khodadadi Bashbolagh	Guido Peter Wedell
Kristian Maegaard	Bo Hagde Nielsen	

Statement by the Board of Directors and the Executive Board

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The annual report is prepared in accordance with the Danish Financial Statements Act.

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Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Ringkøbing, 27 August 2020
Executive Board:

Frank Steen Sumborg

Board of Directors:

Dr. Andreas Klaus Oswald Raps *Chairman*	Babak Khodadadi Bashbolagh	Guido Peter Wedell
Kristian Maegaard	Bo Hagde Nielsen	

Independent auditor's report

To the shareholders of EagleBurgmann KE A/S

Opinion

We have audited the financial statements of EagleBurgmann KE 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 accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the 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.

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 27 August 2020
Ernst & Young
CVR no. 30 70 02 28

Lone N. Eskildsen

Lone Nørgaard Eskildsen
State Authorised Public Accountant
mne32085

Management's review

Company details

Name	EagleBurgmann KE A/S
Address, Postal code, City	Odinsvej 1, Rindum, 6950 Ringkøbing
CVR no.	13 43 66 81
Registered office	Ringkøbing-Skjern
Financial year	1 January - 31 December
Board of Directors	Dr. Andreas Klaus Oswald Raps, Chairman Babak Khodadadi Bashbolagh Guido Peter Wedell Kristian Maegaard Bo Hagde Nielsen
Executive Board	Frank Steen Sumborg
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Financial highlights

DKK'000	2019	2018	2017	2016	2015
Key figures					
Gross profit	98,092	124,048	129,106	112,188	114,041
Operating profit/loss	-4,940	32,219	836	10,541	768
Net financials	-1,084	-963	-1,736	-2,007	-2,311
Profit for the year	94,547	30,933	19,743	23,549	8,804
Total assets	211,684	203,126	153,079	191,461	187,897
Equity	160,928	128,032	98,109	93,077	71,193
Financial ratios					
Return on assets	-2.4%	18.1%	0.5%	5.6%	0.4%
Equity ratio	76.0%	63.0%	64.1%	48.6%	37.9%
Return on equity	65.4%	27.4%	20.7%	28.7%	13.4%
Average number of employees	161	174	177	187	197

There has been an intra group merger between EagleBurgmann KE A/S, EBI Atlantic A/S and EBI Middle East A/S, effective 1 January 2019, with EagleBurgmann KE A/S as the surviving company. The book value method has been applied to the intra group business combination. The comparative figures for 2018 and previous years have therefore not been restated in accordance with the book value method.

Management's review

Business review

The Company's business segment comprises two divisions:

Expansion Joints Division

The division supplies total solutions, which compensate for termic expansions, vibrations and assembling imbalances in pipes, ducts and other systems, primarily within the energy sector. The solutions are based on compensator technology within fabric, rubber, elastomers and special compensators with steel parts, sealing products and engineering. Focus is on customised quality, design, engineering, installation and after sales service.

The Seals Division

The Seals division sells sealing products, including mechanical axial sealings, braided and static sealings for the industry.

Financial review

The income statement for 2019 shows a profit of DKK 94,547 thousand against a profit of DKK 30,933 thousand last year, and the balance sheet at 31 December 2019 shows equity of DKK 160,928 thousand.

There has been an intra group merger between EagleBurgmann KE A/S, EBI Atlantic A/S and EBI Middle East A/S, effective 1 January 2019, with EagleBurgmann KE A/S as the surviving company. The book value method has been applied to the intra group business combination. The comparative figures for 2018 and previous years have therefore not been restated in accordance with the book value method.

Profits from group enterprises are recognised in the income statement at DKK 85,985 thousand against DKK 18,340 thousand in 2018. The profits from group enterprises for 2019 of DKK 85,985 thousand consist of a share of the profit for the year in group enterprises of DKK 17,242 thousand and a gain on sale of group enterprises of DKK 68,743 thousand. The gain on sale of group enterprises in 2019 are regarding group entities that were added to EagleBurgmann KE A/S as part of the merger between EagleBurgmann KE A/S, EBI Middle East A/S and EBI Atlantic A/S, effective at January 1, 2019, and the group enterprises were subsequently disposed in 2019.

At the end of 2019, the Company's equity amounted to DKK 160,928 thousand, corresponding to an equity ratio of approx. 76.0 %.

The Company's capital structure is considered to be sufficient.

A restructuering of the business has been performed in 2019 with a close down of the production facility in Vejen.

Knowledge resources

The Company's knowledge resources mainly consist of knowhow on compensator technology.

Events after the balance sheet date

Regarding the world wide Covid-19 outbreak, the management assesses that the entitys financial position and cash flow has not been significantly affected by this. The Covid-19 outbreak has meant that the company has had to adapt a number of work routines to ensure the health of employees and thus the company's operations so that deliveries of goods could be maintained in this extraordinary situation. The result of these adjustments has generally had a satisfactory effect and meant that deliveries have been able to be maintained.

No other events have occured after the financial-year end which could significantly affect the company's financial position.

Management's review

Outlook

The outlook is still unclear, and it is difficult to predict the future.

The strategy for 2018-2020 has been agreed with the shareholders and under implementation. The expectation for 2020 is lower revenue compared to 2019 due to restructurering of the business and the impact of the Coronavirus on the generel market development.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019	2018
	Gross profit	98,092	124,048
2	Staff costs	-79,975	-90,995
3	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-5,347	8,669
4	Other operating expenses	0	-20,738
	Profit before net financials	12,770	20,984
	Income from investments in group entities	85,985	18,340
5	Financial income	464	17
6	Financial expenses	-1,548	-980
	Profit before tax	97,671	38,361
7	Tax for the year	-3,124	-7,428
	Profit for the year	94,547	30,933

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Fixed assets		
8	Intangible assets		
	Acquired intangible assets	166	0
		166	0
9	Property, plant and equipment		
	Land and buildings	18,123	27,916
	Plant and machinery	5,652	9,922
	Other fixtures and fittings, tools and equipment	2,629	445
		26,404	38,283
10	Investments		
	Investments in group entities, net asset value	43,152	42,262
		43,152	42,262
	Total fixed assets	69,722	80,545
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	9,216	12,464
	Work in progress	3,714	8,510
	Finished goods and goods for resale	10,077	9,072
		23,007	30,046
	Receivables		
	Trade receivables	39,681	40,253
	Receivables from group entities	61,079	44,380
	Deferred tax assets	3,160	6,286
	Other receivables	14,677	129
	Deferred income	333	1,453
		118,930	92,501
	Cash	25	34
	Total non-fixed assets	141,962	122,581
	TOTAL ASSETS	211,684	203,126

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	16,000	16,000
	Net revaluation reserve according to the equity method	31,564	30,674
	Retained earnings	67,214	81,358
	Dividend proposed for the year	46,150	0
	Total equity	160,928	128,032
	Provisions		
	Other provisions	2,758	22,279
	Total provisions	2,758	22,279
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Lease liabilities	1,444	0
	Other payables	2,177	0
		3,621	0
	Current liabilities other than provisions		
	Lease liabilities	828	0
	Trade payables	6,739	10,946
	Payables to group entities	10,747	4,408
	Income taxes payable	1,065	4,629
	Other payables	24,998	32,832
		44,377	52,815
	Total liabilities other than provisions	47,998	52,815
	TOTAL EQUITY AND LIABILITIES	211,684	203,126

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Statement of changes in equity

Note	DKK'000	Share capital	Net revaluation reserve according to the equity method	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 January 2019	16,000	30,674	81,358	0	128,032
	Additions on merger / corporate acquisition	0	0	128,887	0	128,887
14	Transfer, see "Appropriation of profit"	0	890	-143,900	46,150	-96,860
	Exchange adjustment	0	0	869	0	869
	Equity at 31 December 2019	16,000	31,564	67,214	46,150	160,928

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of EagleBurgmann KE A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements are prepared. The financial statements of EagleBurgmann KE A/S and its group entities are part of the consolidated financial statements of Freudenberg & Co. KG which can be obtained at www.freudenberg.com under Home - newsroom - downloads. The internetlink is https://www.freudenberg.com/newsroom/downloads/.

The accounting policies applied by the Company are consistent with those of last year except that the compnay has chosen IFRS 16 as interpretation for classification and recognition of leases, refer to the section regarding leases regarding a decription of the accounting policy and impact of the implementation.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flows are part of the consolidated cash flow statement for the parent company, Freudenberg & Co. KG. which can be obtained at www.freudenberg.com under Home - newsroom - downloads.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, contributions of assets and share conversions, etc. in which entities controlled by the parent company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquiree are recognised directly in equity.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement along with changes in the fair value of the hedged asset or liability.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables, respectively, and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

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

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross profit

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the entity's core activities, including gains or losses on the sale of non-current assets.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The cost for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include software, patents, rights and licences.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	7 years

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Buildings	10-50 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-10 years

Land is not depreciated.

Profit from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that concern the financial year. Financial income and expenses include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

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

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Leases

The Company has chosen IFRS 16 as interpretation for classification and recognition of leases.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

With effect from 1 January 2019, the company has implemented IFRS 16 for the interpretation of the provisions of the Danish Financial Statements Act for leasing agreements. The modified retrospective transition method has been used in the implementation. Leasing assets and leasing obligations are recognized in the balance sheet per. January 1, 2019, and no adjustment has been made to comparative figures, which are still presented in accordance with previous accounting policies based on IAS 17.
In future, the company will, with a few exceptions, recognize all leasing agreements in the balance sheet. This means that a leasing obligation measured at the present value of the future leasing payments, as described below, and a corresponding leasing asset adjusted for payments made to the lessor prior to the start of the leasing agreement and incentive payments received from the lessor must be recognized.

In accordance with the transitional facilitation in IFRS 16, the company has chosen to implement IFRS 16:
- Not to reassess whether a contract is or contains a lease.
- Not to recognize leasing agreements with a term of less than 12 months or with a low value.
- Not to recognize direct costs related to recognized leasing assets.
- To set a discount rate on a portfolio of leasing agreements with similar characteristics.

In assessing future leasing payments, the company has reviewed its operating leases and identified those leasing payments that relate to a leasing component that are fixed or variable, but that change as the index or interest rate fluctuates. The company has chosen not to include payments related to service components as part of the lease payments.
In assessing the expected lease term, the company has identified a non-cancellable lease term in the agreement plus periods covered by an extension option that management is likely to exercise and assigned periods covered by a termination option that management is likely to not exercise.
For leasing agreements of operating equipment, management has assessed that the expected lease period is the non-cancellable lease period in the agreements, as the company has not historically exercised extension options in similar agreements.
In assessing the expected lease term for leases of properties, the company has divided its portfolio into leases used for production and properties used for sale and administration.

When discounting the lease payments to present value, the company has used its alternative borrowing rate, which constitutes the cost of raising external financing for a corresponding asset with a financing period corresponding to the term of the lease in the currency in which lease payments are settled. documented the alternative borrowing rate for each portfolio of leases that have similar characteristics.

Impact of implementation of IFRS 16:

By implementing IFRS 16 EagleBurgmann KE A/S recognized leasing assets and leasing obligations, and the leasing assets are DKK 2,311 thousand at 31 December 2019, and the leasing obligations are DKK 2,272 thousand at 31 December 2019. Other external costs have been reduced by DKK 910 thousand while depreciations have increased by DKK 903 thosand and financial costs have increased by DKK 11 thousand.

Investments in subsidiaries

Investments in subsidiaries are measured, using the equity method, at the parent's proportionate share of such entities' equity plus goodwill on consolidation and intra-group losses and less intra-group gains and negative goodwill, if any. Investments in entities whose net asset value is negative are measured at DKK 0. The entity's proportionate share of negative equity, if any, is set off against receivables from the investment in so far as the deficit is irrecoverable. Amounts in excess thereof are recognised under ‘Provisions' in so far as the parent has a legal or constructive obligation to cover the deficit.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The purchase method of accounting is applied to corporate takeovers except for intra-group business combinations which are accounted for using the pooling of interests method.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Gains or losses on disposal of subsidiaries and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated selling costs.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Write-downs are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Write-downs are made to the lower of the net realisable value and the carrying amount.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obigation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Restructuring provisions comprise severance pay to employees, losses due to termination of agreements, etc. arising in connection with Management's decision to restructure the business. Restructuring provisions are recognised once Management, before the balance sheet date, has made a decision to restructure the business and when it can be rendered probable, at the balance sheet date, that the restructuring will be carried through.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

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Notes to the financial statements

1 Accounting policies (continued)

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines.

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Notes to the financial statements

	DKK'000	2019	2018
2	Staff costs		
	Wages/salaries	72,492	83,347
	Pensions	4,170	4,374
	Other social security costs	1,144	1,440
	Other staff costs	2,169	1,834
		79,975	90,995
	Average number of full-time employees	161	174

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration of Management is not disclosed.

	DKK'000	2019	2018
3	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment		
	Amortisation of intangible assets	18	0
	Depreciation of property, plant and equipment	5,329	6,766
	Impairment of property, plant and equipment	0	-15,435
		5,347	-8,669

4 Other operating expenses

Other operating expenses in 2018 include restructuring costs DKK 20,738 thousand.

		2019	2018
5	Financial income		
	Other financial income	464	17
		464	17
6	Financial expenses		
	Interest expenses, group entities	481	161
	Other financial expenses	1,067	819
		1,548	980

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2019	2018
7 Tax for the year		
Estimated tax charge for the year	0	8,381
Deferred tax adjustments in the year	3,124	-953
	3,124	7,428

8 Intangible assets

DKK'000	Acquired intangible assets
Cost at 1 January 2019	19,626
Additions in the year	184
Cost at 31 December 2019	19,810
Impairment losses and amortisation at 1 January 2019	19,626
Amortisation/depreciation in the year	18
Impairment losses and amortisation at 31 December 2019	19,644
Carrying amount at 31 December 2019	166
Amortised over	7 years

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Notes to the financial statements

9 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2019	61,622	68,959	6,277	136,858
Additions in the year	268	1,631	3,384	5,283
Disposals in the year	-31,645	-14,334	-352	-46,331
Cost at 31 December 2019	30,245	56,256	9,309	95,810
Impairment losses and depreciation at 1 January 2019	33,706	59,037	5,832	98,575
Amortisation/depreciation in the year	724	3,406	1,199	5,329
Reversal of amortisation/depreciation and impairment of disposals	-22,308	-11,839	-351	-34,498
Impairment losses and depreciation at 31 December 2019	12,122	50,604	6,680	69,406
Carrying amount at 31 December 2019	18,123	5,652	2,629	26,404
Property, plant and equipment include finance leases with a carrying amount totalling	457	0	1,854	2,311
Depreciated over	10-50 years	3-10 years	3-10 years	

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Notes to the financial statements

10 Investments

DKK'000	Investments in group entities, net asset value
Cost at 1 January 2019	11,588
Additions on merger / corporate acquisition	55,167
Disposals in the year	-55,167
Cost at 31 December 2019	11,588
Value adjustments at 1 January 2019	30,674
Exchange adjustment	869
Dividend distributed	-17,221
Share of the profit/loss for the year	17,242
Value adjustments at 31 December 2019	31,564
Carrying amount at 31 December 2019	43,152

Name	Legal form	Domicile	Interest
Subsidiaries			
EagleBurgmann KE Pte. Ltd.	Limited company	Singapore	100.00%
EagleBurgmann Pvt. Ltd.	Limited company	Madras, India	100.00%
KE-Burgmann UK Ltd.	Limited company	Congleton, United Kingdom	100.00%
EagleBurgmann Poland Sp. z.o.o.	Limited company	Warsaw, Poland	100.00%

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DKK'000	2019	2018
11 Share capital		
Analysis of the share capital:		
16,000,100 shares of DKK 1.00 nominal value each	16,000	16,000
	16,000	16,000

Analysis of changes in the share capital over the past 5 years:

DKK'000	2019	2018	2017	2016	2015
Opening balance	16,000	16,000	16,000	16,000	16,000
	16,000	16,000	16,000	16,000	16,000

12 Contractual obligations and contingencies, etc.

Other contingent liabilities

DKK'000	2019	2018
Bank Guarantee	200	200
Guarantee commitments	5,869	6,924
	6,069	7,124

The Company is jointly taxed and acts as management company in the joint taxation, and, together with other jointly taxed group entities, is jointly and severally liable for the payment of income taxes for the income year 2013 and onwards as well as for withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2019	2018
Rent and lease liabilities	289	1,012

13 Related parties

EagleBurgmann KE A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
EBI Atlantic A/S	Park Allé 34, 6600 Vejen, Denmark	Principal shareholder
Freudenberg & Co. KG	Höhnerweg 2-4, D69469 Weinheim, Germany	Parent company

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Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Freudenberg & Co. KG	Höhnerweg 2-4, D69469 Weinheim, Germany	https://www.freudenberg.com/newsroom/downloads/

Related party transactions

There are no related party transactions transactions that have not been carried through on normal market terms.

	DKK'000	2019	2018
14	Appropriation of profit		
	Recommended appropriation of profit		
	Proposed dividend recognised under equity	46,150	0
	Extraordinary dividend distributed in the year	191,407	0
	Net revaluation reserve according to the equity method	890	2,039
	Retained earnings/accumulated loss	-143,900	28,894
		94,547	30,933