Air Liquide Danmark A/S

Annual report 2018

CVR no. 15 03 61 17

Approved at the Company's annual general meeting,
Chairman:

....
Lars Strandberg

Air Liquide Danmark A/S, Høje Taastrup Vej 42, DK-2630 Taastrup

Contents

INFORMATION ABOUT THE COMPANY

Company	Air Liquide Danmark A/S Høje Taastrup vej 42 2630 Taastrup	
	Phone	76 25 25 25
	Fax	76 25 25 35
	Homepage	www.airliquide.dk
	E-mail	info.denmark@airliquide.com
	CVR.no.	15 03 61 17
	Established	23 November 1962 under the name Hede Nielsen Investment A/S. Name changed in 1996 to Hede Nielsen A/S after merger with Hede Nielsen A/S (founded 1906). Name change in 2003 to the present name.
	Domicile	Høje Taastrup
	Accounting year	1 January - 31 December (57th accounting year)

Board	Lars Strandberg (chairman)	
	Jean-Baptiste Ripart	
	Chris Jozef P. Verhaegen	
	Joanne Deval	
	Floris Mackor	
	Guillaume Jean Baptiste Cottet	
	Dorthe Kracht	Elected by the employees
	Ronnie Hjulmand	Elected by the employees
Executive Board	Christian Tomsen	
	Martin Heinlin	
Auditor	Ernst & Young P/S Osvald Helmuths Vej 4 Postboks 250 2000 Fredriksberg	

STATEMENT BY THE MANAGEMENT ON THE ANNUAL REPORT

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Air Liquide Danmark A/S for the financial year 1 January – 31 December 2018.

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

In our opinion, the financial statements gives a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

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.

Taastrup, 24 April 2019

Executive Board:

Christian Tomsen

Martin Heinlin

Board of Directors:

Lars Strandberg
Chairman

Jean-Baptiste Ripart

Chris Jozef P. Verhaegen

Joanne Deval

Floris Mackor

Guillaume Cottet

Dorthe Kracht

Ronnie Hjulmand

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report
To the shareholders of Air Liquide Danmark A/S

Opinion
We have audited the financial statements of Air Liquide Danmark A/S for the financial year 1 January – 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018 in in accordance with the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- 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 conclusion is 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.

INDEPENDENT AUDITOR'S REPORT (continued)

- 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.

Copenhagen, 24 April 2019
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Alex Petersen	Mads Vinding
State Authorised	State Authorised
Public Accountant	Public Accountant
mne28604	mne42792

FINANCIAL HIGHLIGHTS

	2018 mill DKK	2017 mill DKK	2016 mill DKK	2015 mill DKK	2014 mill DKK
Profit and loss account:					
Revenue	444,8	446,5	436,7	449,7	456,4
Ordinary operating profit	10,0	24,5	41,8	48,2	56,2
Financial items, net	-1,0	-0,7	-0,9	-0,9	-1,3
Profit for the year	10,8	11,4	36,6	37,2	43,3
Balance sheet:					
Total assets	400,2	437,4	427,8	392,4	386,1
Total equity	175,0	208,3	196,9	160,3	159,2
Investments in property, plant and equipment	65,5	31,7	18,2	44,1	27,3
Employees:					
Number of average full-time employees	173	173	168	175	164
Ratios in %:					
Gross margin	73,7	74,6	72,9	73,0	72,2
Profit margin	2,3	5,5	5,9	10,7	12,3
Return on assets	2,4	5,7	6,3	12,4	14,7
Equity share	43,7	47,6	46,0	40,9	41,2
Return on equity	5,6	5,6	20,5	23,3	29,3

RATIOS

The ratios in financial highlights are calculated as follows:

Gross margin $\frac{\text{Gross profit (Revenue - Cost of goods sold) x 100}}{\text{Revenue}}$

Profit margin $\frac{\text{Ordinary operating profit x 100}}{\text{Revenue}}$

Return on assets $\frac{\text{Ordinary operating profit x 100}}{\text{Average assets}}$

Equity share $\frac{\text{Total equity, end of year x 100}}{\text{Total liabilities, end of year}}$

Return on equity $\frac{\text{Profit for the year x 100}}{\text{Average equity}}$

MANAGEMENT REPORT

(DKK '000)

Main activities
The main activities of Air Liquide Danmark A/S (the Company) are development, and the production and sales of industrial and medical gases, related equipment and services.

The company is part of the Air Liquide Group, a world wide group within industrial and medical gases.

The parent company of the Group, L'Air Liquide S.A., is quoted on the Euronext stock exchange in Paris.
The consolidated annual report is available online in which an even more detailed management report is available.
Besides the annual report our corporate "Magazine" website holds various publications regarding our business.

The fiscal year
Profit for the year amounted to 10.776, a decrease of 5 % compared to the result of last year, 11.366. The result is considered satisfactory considering the market condition and the breakdown that accured in Hedensted during 2018.

Net Sales equals the sales in 2018 at reaches 444.846.

Gross margin decreased by 7,7 % to 144.908.

The accounced sale of the company Vejlevej 13, Horsens ApS has been postponed due to external events. The sales is expected to be completed during 1st half of 2019.

Expected development
We expect to see an increased level of activity during 2019. Sales is expected to increse with approx. 2 %, although the market is still subject to price pressure due to fierce competition. This was also backed up by a strong sale in 4th quarter 2018.

We expect a slightly increase in the net resultat, although the planned sale of "Vejlevej 13 Horsens ApS" will have a significant positive impact on the net result in 2019.

Research and development
Research and development activities mainly take place at group level in R&D centers in Germany and France.

Impact on the environment
Annually, there is an assessment of our most significant environmental aspects. The areas that has been identified with most impact is Fire / Explosion, Emissions to air and Energy consumption. As an environmental priority, we work with local actions to decrease our environmental impact of these areas.

Subsequent events
No events have occurred that could be considered to have a material influence on the financial position of the company.

Corporate Social Responsibility (CSR)
Air Liquide Danmark A/S is a subsidiary of the Air Liquide Group, quoted on the Euronext stock exchange in Paris. The Company is therefore covered by the same policies that apply for all other subsidiaries. These policies are included in a document referred to as the "Bluebook" which describes the general principles, rules and processes that the Group is governed by in the same responsible way throughout the world. Since the Company is covered by these policies local country policies are not made and therefor this is not reported separately for the Company.

Human rights
In line with our Principles of Action, we are committed to complying with all laws and regulations in force, and in particular the rules of fair trade and we do not tolerate corruption in any form. Our behavior and actions are driven by the principles of integrity and transparency.

Specific codes of conduct are intended to illustrate certain key concepts in the code of conduct. They are shared and provided throughout the Group with in particular:

1) An Anti-Corruption Code of Conduct
2) Competition Law Codes of Conduct by broad geographic area
3) A Digital Protection Code of Conduct
4) A Suppliers Code of Conduct (translated into 13 languages)

Air Liquide is dedicated to the highest standards for the conduct of its business. Air Liquide, through its group Chairman and Chief Executive Officer, has signed the United Nations Global Compact, an initiative in which the 10 founding principles relate to Human Rights, international labor standards, the environment and the fight against corruption.

Available online on our group website is our "2018 Integrated Management report and Environmenta & Society reporting". A paper consisting of 125 pages describing the subject.

MANAGEMENT REPORT (continued)

Employees
The Company offers its employees a safe work place, with respect for the individual whilst dealing with any form of discrimination. Salaries are competitive and are set in relationship to results. The Company promotes a culture of diversity, openness and transparency.

The Company carries out regular employee surveys, where employees can express their level of satisfaction with their work place. The results of these surveys are followed by the management, and initiatives are set in motion to deal with any weak points.

Besides the yearly performance appraisal review discussions we have also conducted personal interviews with a fifth of all employees letting them express their wishes for their future development.

Safety first
The no. 1 key value for Air Liquide is "safety first". Generally we see emplyees and external staff as one when it comes to safety. All must apply to our high standards and follow all instructions and guidelines. On a monthly basis accidents and near-accidents and report centrally to always improve our safety.

During 2019 the group has initiated a large "road safety" project. The focus is not only on professional drivers and our trucks but also transportation to and from work in car, on bike, on foot or by public transportation.

Besides the "road safety" project two key areas have been defined:
1) Safety for individuals - a pro active approach which engages Air Liquide employees and those of its subcontractors
2) Process safety - safety related to our industrial plants and our IMS (Industrial Management System)

Air Liquide's employees lost-time accident frequency rate was 1.3 at the end of 2018, a 20% improvement compared to 2017. This is the lowest frequency rate the Group has achieved in 20 years.

Environment
Group can contribute to a more sustainable world. This is why local initiatives are encouraged as part of Air Liquide's Corporate Sustainability Program. The Air Liquide Foundation also contributes to these through its own projects.

Air Liquide Denmark A/S has decided to focus their policies within climate and environment on climate, as Air Liquide Denmark has evaluated, that this is the area on which the company´s operations has the largest impact.

The Company strives as far as possible to protect natural resources and works towards sustainable development both within the Company and with its customers.

The Company respects environmental demands coming from the law, regulations and international agreements. The use of energy and other limited resources on Company owned installations is being limited via technical developments. Eventual emissions and refuse must be controlled and handeled in accordance with applicable rules.

All employees have a responsibility to support the Company's environmental commitment by following applicable rules, routines and best practices. It is the individual employee's responsibility to inform his or her line manager of any situation where the relevant rules and routines are not being complied with or where there may be any form of environmental risk.

The Company has also invested in solutions for producing sustainably generated hydrogen as a fuel in the transport sector.

In April 2018, Air Liquide received recognition from EcoVadis in the "Sustainable Procurement: Stakeholder Engagement" category. These awards recognize best-in-class practices and commitment to founding sustainable procurement programs.

Decreased power consumption
Air Liquide takes the climate challenge very seriously and strives to contribute to a more sustainable world.

As the first gas supplier in the Nordic countries, we therefore introduce Green Origin, climate smart gas, for liquid oxygen, nitrogen, argon and carbon dioxide as of 1 January 2018.

Green Origin labeled gas will from that date be the new standard liquid gas offer within Air Liquide in the Nordics. Green Origin is produced exclusively from wind and hydro power in the Nordic region, and the CO2 emissions from our transports are 100% climate compensated. This is guaranteed by purchasing "Guarantees of origin" from the power companies, and by purchasing climate compensation projects that are included in the UN's CDM system and also fulfill the requirements from Gold Standard Foundation.

Anti corruption
Air Liquide comply with "Sapin II", the French legislation in regards to anti curruption. The Danish entity is therefore a part of this. The group performs a yearly internal audit which is approved by the management. The internal audit is ex. dandom tests of contracts with agents and commission. Generelle the Nordic division is classified as low risk in terms of anti corruption.

Included in the all employees within Air Liquide may not- either directly or indirectly- offer, promise, request, demand or accept bribes or any other inappropriate advantages or gifts in order to obtain a favourable position for the Company or for his or her own personal situation, or in order to influence the result of a negotiation. If there is the slightest doubt about these questions, the employee should consult his or her line manager.

81% of the employees had gone through the Anti-Bribery E-learning during 2018 although our target is 100%.

Gender representation in the management
The organization must treat employees equally and employees must therefore be offered equal opportunities to pursue their career, independent of their origin, sexual orientation, gender, age, belief, handicap or any other characteristic which is protected by law.

The board has set an objective for the under-represented gender (women) to be 40%, meaning 2 out of 5 Company appointed board members must be women. Today 25 % of the members are women which is not in line with the Company's aims. A suitable candidate had not been identified but efforts are being made and last years target has not been met. It is expected that we will reach the goal within the next annual general meeting.

The following concrete initiatives have been put in place to increase the proportion of female managers:
- Diversity programs and recruitment policies. In each recruitment process shall both genders be represented when using agencies. This has been accomplished in 2018. The hiring rate of females have increased with 9 % in comparison to the year before.
- At present we have in Denmark 25 % female managers which is an increase from 2017 with 2 %.

Being present in 80 countries and represented by 150 nationalities really gives AL a great starting point for the new initiative for collective inclusiveness & diversity. Within the NWE Cluster AL kickstarted a programme to increase both our individual and collective inclusiveness and acceptance of diversity.

This programme will be developed throughout 2019 and be rolled out across the Cluster 2019 - 2020.

ACCOUNTING POLICIES

The annual report has been presented in accordance with the provisions of the Danish Financial Statements Act applying to large reporting class C entities.

Accounting policies are the same as last year.

Group Financial Statements
The annual accounts for Air Liquide Danmark A/S and affiliated undertakings are included in the consolidated accounts for L'Air Liquide S.A., Paris

In accordance with The Danish Company Accounts Act section 112, subsection 1, consolidated accounts have not been prepared. The annual accounts for Air Liquide Danmark A/S and affiliated undertakings are included in the consolidated accounts for L'Air Liquide S.A., Paris

Cash flow
In accordance with section 86, subsection 4, of the Danish Financial Statements Act no cash-flow statement has been prepared, whereas this is included in a cash flow statement for L'Air Liquide S.A.

Auditors fee
Referring to the Danish Financial Statement Act section 96, subsection 3, information on fees to auditors decided on general meeting has been omitted. Reference is made to the consolidated financial statements of L'Air Liquide S.A.

Foreign currency translation
On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at 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 closing rates. 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 latest 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 in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and 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 together with fair value adjustment of the hedged asset or liability.

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

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement.

Leased assets recognize in accordance with IAS17
Leasing contracts, which are not giving the company full ownership, right to use and risk related to this, are recognized as operational leas. Payments on operational leases are registered in the income statement on the duration of the contracts. Liabilities in terms of these leases are listed in note Contingent liabilities.

ACCOUNTING POLICIES (continued)

Revenue
Revenue is recognized according to IAS 18.

On the conclusion of sales contracts which consist of several, separate sales transactions, the contract price is split up into the individual sales transactions based on the relative fair value approach. The separate sales transactions are recognised as revenue when the criteria for sale of goods and services are met.

A contract is split up into individual transactions when the fair value of each individual sales transaction can be calculated reliably and when each individual sales transaction has a separate value for the purchaser. Sales transactions are deemed to have a separate value for the purchaser when the transaction is individually identifiable and is usually sold separately.

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

Revenue from the sale of goods
Income from the sale of goods for resale and finished goods, gas and related equipment, is recognised in revenue when the most significant rewards and risks have been passed on to the buyer and provided the income can be measured reliably and payment is expected to be received. The date at which the most significant rewards and risks are passed on is based on standardised terms of delivery based on Incoterms® 2010.

Income from the sale of goods where installation is a prerequisite for considering major risks to have been transferred to the purchaser is recognised in revenue when the installation is complete.

Revenue from the sale of services
Income from the sale of services, which include service contracts, is recognised in revenue on a straight-line basis as the services are rendered, as the services are provided in the form of an indefinite number of actions over a specified period of time.

Cost of goods sold
Cost of goods sold are indirectly and directly costs for raw material and assisting materials.

Other external costs
Other external costs includes costs for distribution, sales, marketing, facilities and loss on debtors.

Personnel cost
Personnel cost includes, salaries, vacation debt and other social security costs for the personnel in the company.

ACCOUNTING POLICIES (continued)

Depreciation
Depreciation is computed on a straight line basis and is based on the expected financial useful lifetime of the assets and in accordance with the following rules:

Land	NA years	(0% p.a.)
Buildings	20 years	(5% p.a.)
Technical plant and machinery	30 years	(3.3% p.a.)
- Production plants	40 years	(2.5% p.a.)
Cylinders	20 - 40 years	(5 - 2.5% p.a.)
Equipment	5 - 10 years	(20 - 10% p.a.)
Acquired Software	12.9 years	(7.75% p.a.)
Completed development projects	5 years	(20% p.a)

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial items
Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on current year result
Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Intangible assets
On initial recognition, intangible assets are measured at cost.
Development costs comprise expenses, salaries and amortisation charges directly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and where the technical feasibility, sufficient resources and a potential future market or development potential are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 5 years.

Acquired software are measured at cost less accumulated amortisation and impairment losses.

Acquired software are amortised on a straight-line basis.

ACCOUNTING POLICIES (continued)

Property, plant and equipment
Property, plant and equipment includes land and buildings, leashold improvements, technical plant and machinery, equipment and cylinders. Tangible fixed assets are valued at cost less accumulated depreciation.

Land and buildings, technical plant and machinery, equipment and cylinders are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

Repair and maintenance costs are recognized as expenses when incurred. The costs of major inspections and overhauls (for example cylinder testing) are recognized as a separate component of the asset and are depreciated over the period between two major overhauls.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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

Investments in subsidiaries
Investments in subsidiaries are recognized according to the equity method.

Investments in subsidiaries are recognized and measured at their proportionate share of net asset value under the equity method, the value being determined on the basis of the accounting policies of the Company less unrealised intra-group profits and losses.

To the extent the carrying amount exceeds the acquisition value, the net revaluation of investments in subsidiaries is transferred to the net revaluation reserve under the equity method.

Investments
Investments, recognized under "Financial assets", comprise of unlisted shares measured at costs.

Inventories
Raw materials and finished goods are measured in accordance with 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 costs necessary to make the sale and is determined taking into account marketability, obsolescence and development is expected selling price.

Work in progress and finished goods manufactured by the company are valued at cost price, direct wages and production overheads. Production overhead 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 recognized according to IAS 39 and are measured at amortised cost, which is normally equal to the nominal value.

An impairment loss is recognised if there is objective evidence that a receivable is impaired.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the net present value of the expected cash flows, including the realisable value of any collateral received.

Prepayments
Prepayments comprise expenses incurred concerning subsequent financial years.

Equity
Dividends expected to be paid for the year is shown as a separate entry in the equity specification. Proposed Dividend is included as an obligation at the time when it is approved by the General Assembly.

ACCOUNTING POLICIES (continued)

Reserve for development costs
The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or if they are no more part of the Company's operations by a transfer directly to distributable reserves under equity.

Reserve for revaluation under the equity method
Reserve for revaluation under the equity method is recognised adjustment between amortized cost and net booked value based on the equity method on subsidiaries. Investments with negative net asset values are recognised at DKK 0.

Reserve for revaluation
The reserve for revaluation is recognised adjustments between an assets amortized cost and the net booked actual value. The principle is no longer used and the reserve is related to adjustments prior 2005.

Dividend
Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the financial year is presented as a separate line item under "Equity".

Income tax and deferred tax
The tax corresponding to the result of the year plus adjustments for earlier years are expensed in the profit and loss account.

Provisions for deferred tax is correspond to the current tax rate of the difference between accounting value and tax value of tangible fixed assets, current assets and provisions.

Payment of tax on account is deducted in taxes payable at year-end.

Deferred tax assets are included at the value which they are expected to be utilized at, either through deduction in future income or offset in deferred tax payable.

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences arise at the date of acquisition without affecting neither the profit/loss for the year nor the 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 assets, including the tax value of tax loss carry-forwards, 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 and jurisdiction. Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Provisions
Provisions comprise anticipated costs related to decommissioning cost, warranty commitments, restructuring, etc. Provisions are recognised when, as a result of past events, the Company has a legal or constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

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.

Other liabilities are measured at net realisable value.

INCOME STATEMENT

(DKK '000)

	Note	2018	2017
REVENUE	1	**444.846**	**446.534**
Costs of goods sold		120.219	113.807
Other operating income	2	3.372	389
Other external costs		183.091	176.065
GROSS MARGIN		**144.908**	**157.051**
Staff costs	3	101.537	97.139
Depreciation, amortization and impairment	4	33.351	35.394
OPERATING PROFIT		**10.020**	**24.519**
Result of shares in subsidiaries	10	3.638	-389
Financial income	5	112	107
Financial expenses	6	1.071	771
PROFIT BEFORE TAX		**12.699**	**23.466**
Tax on current year result	7	1.923	12.100
PROFIT FOR THE YEAR		**10.776**	**11.366**

BALANCE SHEET

(DKK '000)

ASSETS	Note	2018	2017
INTANGIBLE ASSETS	8		
Software		3.241	4.784
Completed development projects		16.221	20.092
		19.462	24.876
PROPERTY, PLANT AND EQUIPMENT	9		
Land and buildings		8.942	17.149
Technical plant and machinery		126.557	134.595
Equipment		7.010	6.877
Cylinders		63.791	60.269
Assets under construction		57.802	14.156
		264.102	233.047
FINANCIAL ASSETS			
Investment in subsidiaries	10	14.204	10.566
Other investments		0	25
		14.204	10.591
TOTAL FIXED ASSETS		**297.768**	**268.514**
CURRENT ASSETS			
Inventories		23.638	23.601
RECEIVABLES			
Trade receivables		49.024	68.228
Receivables from affiliated companies		5.554	67.628
Income taxes		3.995	0
Other receivables		4.394	328
Prepayments	11	7.229	5.088
		70.196	141.272
CASH		8.568	4.007
TOTAL CURRENT ASSETS		**102.402**	**168.880**
TOTAL ASSETS		**400.171**	**437.394**

BALANCE SHEET (continued)

(DKK '000)

EQUITY AND LIABILITIES	Note	2018	2017
EQUITY			
Share capital	12	44.000	44.000
Reserve for development costs		12.381	8.203
Revaluation reserve under the equity method		3.249	0
Revaluation reserve		6.382	56.888
Retained earnings		101.504	55.149
Dividend proposed for the financial year		7.500	44.014
TOTAL EQUITY		**175.016**	**208.254**
PROVISIONS			
Deferred tax	13	35.417	35.008
Other provisions	14	479	404
TOTAL PROVISIONS		**35.896**	**35.413**
NON - CURRENT LIABILITIES OTHER THAN PROVISIONS			
Prepayment from customers		5.269	5.269
Payables to affiliated companies	15	49.000	56.000
TOTAL NON CURRENT LIABILITIES		**54.269**	**61.269**
CURRENT LIABILITIES OTHER THAN PROVISIONS			
Current portion of payables to affiliated companies	15	7.000	7.000
Prepayment from customers		18.327	18.458
Trade creditors		65.076	69.158
Payables to affiliated companies		22.885	14.263
Income taxes		0	7.523
Other payables		21.701	16.056
TOTAL CURRENT LIABILITIES		**134.989**	**132.459**
TOTAL LIABILITIES OTHER THAN PROVISIONS		**189.258**	**193.728**
TOTAL EQUITY AND LIABILITIES		**400.171**	**437.394**

CONTINGENT LIABILITIES	16
RELATED PARTIES	17
APPROPRIATIONS OF PROFIT/LOSS	18
HEDGES	19

STATEMENT OF CHANGES IN EQUITY

(DKK '000)

Movements in the equity can be specified as follows:

2017	Share capital	Dividend for the financial year	Reserve for development cost	Revaluation reserve	Retained earnings	Revaluation reserve under equity method	Total
Capital and reserves 1 January	44.000	0	8.325	56.888	87.676	0	196.889
Dividend paid	0	44.014	0	0	-44.014	0	0
Year resultat	0	0	-122	0	11.487	0	11.365
Capital and reserves 31 Dec.	44.000	44.014	8.203	56.888	55.149	0	208.254

2018	Share capital	Dividend for the financial year	Reserve for development cost	Revaluation reserve	Retained earnings	Revaluation reserve under equity method	Total
Capital and reserves 1 January	44.000	44.014	8.203	56.888	55.149	0	208.254
Dividend paid	0	-44.014	0	0	0	0	-44.014
Year resultat	0	7.500	4.178	-50.506	46.355	3.249	10.776
Capital and reserves 31 Dec.	44.000	7.500	12.381	6.382	101.504	3.249	175.016

NOTES

(DKK '000)

1 REVENUE

In accordance with the Danish Financial Statements Act section 96, subsection 1, the company has elected not to show any segmentation of the Net Sales.

2. OTHER OPERATING INCOME

Other operating income in 2018 relates to an insurrance claim.

Other operating income in 2017 relates mainly to investment in subsidiaries.

3. STAFF COSTS

	2018	2017
Wages and salaries, employees	87.672	84.960
Social security and other staff costs	1.281	1.121
Pension, company share	7.470	7.468
Salaries to the Executive Board	5.114	3.590
	101.537	97.139
Number of average full-time employees	173	173

4. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Intangible assets	7.703	7.857
Tangible assets	25.649	27.537
	33.351	35.394

5. FINANCIAL INCOME

Interest, intercompany	9	28
Other financial costs	103	79
	112	107

6. FINANCIAL EXPENSES

Interest, intercompany	526	522
Other financial costs	545	249
	1.071	771

(DKK '000)

7. TAX

	2018	2017
The tax amount expensed in the profit and loss account results from the following:		
Tax calculated on taxable income	1.963	13.108
Tax adjustment previous year	-476	-1.035
Change of deferred tax for the year	359	27
Change of deferred tax regarding prevoius year	77	0
Tax	1.923	12.100
Tax paid on account during the year	2.806	2.852

8. INTANGIBLE ASSETS

	Acquired software	Completed development projects
Cost 1 January	50.505	29.675
Additions	140	2.148
Cost at 31 December	50.645	31.823
Amortization and impairment 1 January	45.720	9.583
Amortization and impairment for the year	1.684	6.019
Amortization and impairment 31 December	47.404	15.602
Net book value	3.241	16.221

Development projects to be included in special reverse under equity "Reverse for development costs":

Beginning 2018	8.203
Additions	9.110
Reduction of reserve due to amortization and impairment for the year	-4.932
Reserve for development costs, 2018	12.381

NOTES (continued)

(DKK '000)

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment	Cylinders	Assets under construction
Cost 1 January	54.876	515.964	62.802	261.552	14.156
Additions	0	6.658	1.614	10.252	47.022
Transfer	0	1.804	675	897	-3.376
Disposals	22.611	7.910	5.857	72	0
Cost 31 December	32.265	516.516	59.234	272.629	57.802
Revaluations in previous years	13.277	49.373	10.284	0	0
Revaluations on disposals	12.500	42.523	9.728	0	0
Revaluations in previous years	777	6.850	556	0	0
Depreciation 1 January	51.003	430.743	66.210	201.282	0
Depreciation on disposals	27.482	49.221	15.585	72	0
Depreciation for the year	579	15.287	2.155	7.628	0
Depreciation 31 December	24.100	396.809	52.780	208.838	0
Net book value	8.942	126.557	7.010	63.791	57.802

NOTES (continued)

(DKK '000)

10. INVESTMENTS IN SUBSIDIARIES

	Investments
Cost 1 January	10.955
Additions	0
Cost 31 December	10.955
Value adjustment 1 January	-389
Result of shares in subsidiaries	3.638
Value adjustment per 31 December	3.249
Net book value	14.204

Name and belonging	Vote and ownership	Net result	Equity
Vejlevej 13, Horsens ApS, Høje Taastrup, Denmark	100%	3.249	14.204

All subsidiaries are independant entities

11. PREPAYMENTS

	2018	2017
Prepaid inssurance	102	533
Other prepayments	7.127	4.555
	7.229	5.088

12. SHARE CAPITAL

The share capital, par value 44 mio. DKK, consists of:

1 A-share of 300.000 DKK	300	300
1 A-share of 1.700.000 DKK	1.700	1.700
1 B-share of 6.626.000 DKK	6.626	6.626
1 B-share of 23.374.000 DKK	23.374	23.374
1 C-share of 12.000.000 DKK	12.000	12.000
	44.000	44.000

The Commpany's Share Capital has been unchanged in the last five years.

NOTES (continued)

(DKK '000)

13. DEFERRED TAX

	2018	2017
Deferred tax 1 January	35.008	34.981
Changes in deferred tax regarding prevoius year	50	0
Changes in deferred tax for the year	359	27
Deferred tax 31 December	35.417	35.008
Deferred tax relates to:		
Buildings	-475	-344
Machinery, equipment etc.	17.302	17.379
Cylinders	14.128	13.259
Acquired software	4.281	5.473
Trade receivables	-561	-759
Other receiveables	742	0
	35.417	35.008
Deferred tax - expected realization		
0-1 year	2.776	2.100
1-5 years	10.380	10.502
>5 years	22.261	22.405
	35.417	35.008

14. OTHER PROVISIONS

Provision for the dismantling of plant and machinery	479	404
	479	404

15. PAYABLES TO AFFILIATED COMPANIES

0-1 Year	7.000	7.000
1-5 Years	28.000	28.000
>5 Years	21.000	28.000
	56.000	63.000

NOTES (continued)
(DKK '000)

16. CONTINGENT LIABILITIES

Guarantees of 4.507 have been issued. (2017: 12.476)

Rental and leasing commitments on land and buildings are 11.192 (2017: 13.871). Amount due within 12 months 7.053

Leasing commitments of vehicles amount to 10.349 (2017: 8.300). Amount due within 12 months 5.312

Commitments related to production amount to 19.125, all of which falls due between 2018-2019. (2017: 15.605)

17. RELATED PARTIES

Related parties comprise the Company's shareholders, Board of Directors, Executive Board, employees and subsidiaries of the ultimate parent company L'Air Liquide S.A., Paris

Air Liquide Danmark A/S is included in the consolidated financial statements of the ultimate parent company, L'Air Liquide S.A., Paris. The consolidated financial statements of the ultimate parent company can be obtained at https://www.airliquide.com/investors

Transactions with related parties relates mainly of purchase and sale of gas and cylinders including financing from related parties. Transactions with related parties have been performed within the arm's length principle.

18. APPROPRIATION OF PROFIT /LOSS	2018	2017
Dividend proposed for the year	7.500	44.014
Reserve development projects	4.178	-122
Revaluation reserve under the equity method	3.249	0
Reserve revaluation assets	-50.506	0
Retained earnings	46.355	-32.526
	10.776	11.366

19. HEDGES

The Company uses forward exchange contracts to hedge expected currency risks, mainly related to purchase of goods in the coming year. Forward exchange contracts has been made for currency exposures in EUR, USD, SEK and SGD with a future contractual value of 152.969 at 31 December 2018 (2017: 102.042)