



GEA Westfalia Separator DK
A/S
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GEA Westfalia Separator DK A/S

Annual report 2015

The annual report was presented and approved at the
Company's annual general meeting

on 26 May 2016

chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of GEA Westfalia Separator DK A/S for the financial year 1 January – 31 December 2015.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015.

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


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

Skanderborg, 26 May 2016
Executive Board:

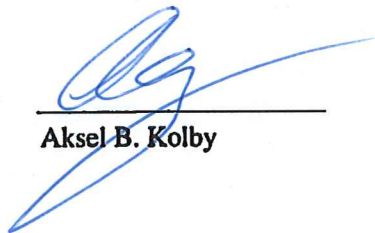


Aksel B. Kolby

Board of Directors:



Dag Moxnes
Chairman



Aksel B. Kolby



Helga Lillegård



Independent auditor's report

To the shareholders of GEA Westfalia Separator DK A/S

Independent auditor's report on the financial statements

We have audited the financial statements of GEA Westfalia Separator DK A/S for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.



Independent auditor's report

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

In accordance with the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Aarhus, 26 May 2016

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

David Olafsson
State Authorised
Public Accountant

Jakob Westerdahl
State Authorised
Public Accountant

Management's review

Company details

GEA Westfalia Separator DK A/S
Norskovvej 1 B
DK-8660 Skanderborg

Telephone: +45 87 94 10 00
Website: www.gea-westfalia.dk

CVR no.: 16 42 30 41
Established: 1 July, 1992
Registered office: Skanderborg
Financial year: 1 January – 31 December

Board of Directors

Dag Moxnes, Chairman
Aksel B. Kolby
Helga Lillegård

Executive Board

Aksel B. Kolby

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
8210 Aarhus V

Annual general meeting

The annual general meeting will be held at the Company's premises on 26 May.

Management's review

Financial highlights

DKK'000	2015	2014	2013	2012	2011
Gross profit	22,752	22,927	21,123	17,655	18,350
Profit before financial income and expenses	6,706	5,591	5,033	3,972	5,405
Net financials	-46	-19	47	2	4
Profit for the year	5,212	4,149	3,801	2,961	4,033
Non-current assets	614	1,716	2,124	2,175	800
Current assets	63,572	64,272	46,532	35,183	33,088
Balance sheet total	64,186	65,988	48,656	37,358	33,888
Share capital	1,000	1,000	1,000	1,000	1,000
Equity	20,918	30,607	26,458	22,657	18,696
Provisions	1,684	1,202	926	741	500
Current liabilities	41,583	34,179	21,271	13,960	13,693
Return on invested capital	10.3%	9.8%	11.7%	11.2%	15.0%
Return on equity	14.4%	9.5%	10.1%	9.3%	24.2%

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities of the Company

The Company's main activity consists of sale of separators, decanters, spare parts and service.

Financial year

For the year under review, the Company's income statement showed an income of DKK 5,212 thousand, and equity stood at DKK 20,918 thousand at 31 December 2015.

The development in profit for the year is slightly lower than that anticipated in the annual report for 2014. This was mainly due to a corrected fundamental error regarding 2014. In light of the correction, results for the year is considered satisfactory.

Uncertainty regarding the financial statements

The annual report is not significantly affected by uncertainty.

Events after the balance sheet date

No events have occurred after the balance sheet date significantly affecting the Company's financial position at 31 December 2015.

Risks

As the Company mostly sells and buys in Euro or Danish Krone, foreign exchange risk is considered low. Furthermore, the Company has an excellent history of low credit losses and has implemented credit risk procedures. Accordingly, credit risk is considered low.

Environmental impact

The Company's nature as a distributor limits the environmental impact of its operations.

Outlook

For the coming year, Management expects to enjoy a stronger financial performance than this year.

Financial statements 1 January – 31 December

Accounting policies

The annual report of GEA Westfalia Separator DK A/S for 2015 has been presented in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The Company corrected a fundamental error with regard to an intercompany adjustment for 2014. The fundamental error has been adjusted retrospectively. The correction of the error had the following impact on the income statement and balance sheet:

DKK'000	2015	2014
Gross profit	5,345	-5,345
Increase/decrease in profit for the year	4,089	-4,089
Increase in payables to group entities	0	5,345
Increase in deferred tax assets	0	1,256
Decrease in equity	0	-4,089

The fundamental error had no effect on equity at 1 January 2014.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Pursuant to section 86(4) of the Danish Financial Statement Act, no cash flow statement has been prepared.

Income statement

Revenue

Revenue from the sale of goods in the form of spare parts and services is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT, taxes and discounts granted in connection with the sale.

Construction contracts are recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method). When the income from a construction contract cannot be estimated reliably, revenue is recognised only corresponding to costs incurred to the extent that it is probable that they will be recovered.

Cost of goods sold

Cost of goods sold comprise direct and indirect costs for raw materials and consumables to generate revenue for the year.

Financial statements 1 January – 31 December

Accounting policies

Other external costs

Other external costs comprise costs of distribution, administration, premises, sale, advertising, bad debts, operating leases, etc.

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the Company does not disclose its revenue. The gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less raw materials and consumables and other external expenses.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees.

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with Danish group companies. Current Danish corporation tax is allocated on the jointly taxed Danish companies in proportion to their taxable income (full absorption with refunds for tax losses). GEA Process Engineering A/S (CVR No. 10 05 07 15) is the administrative company.

Property, plant and equipment

Land and buildings and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Financial statements 1 January – 31 December

Accounting policies

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings 20 years

Fixtures and fittings, tools and equipment 3-5 years.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as depreciation.

Minor assets are recognised as cost in the income statement at the date of acquisition.

Inventories

Inventories are measured at cost in accordance with the average cost formula. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Inventories are measured at cost comprising purchase price.

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 in expected sales price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value less write-down for bad debt losses based on an individual assessment.

Construction contracts

Construction contracts are measured at the selling price of the work performed less progress billings and anticipated losses. Construction contracts entail a significant degree of design customisation of produced goods. Moreover, before the work is commenced, a binding agreement must have been entered into to the effect that penalties or compensation will be enforced if the contract is subsequently terminated.

The selling price is measured by reference to the percentage of completion at the end of the reporting period and total expected income from the contract. The percentage of completion is determined on the basis of an assessment of the work performed, which is usually measured as the proportion of contract costs incurred for work performed to date relative to the total estimated contract costs.

When it is probable that the total contract costs will exceed total contract revenue, the anticipated loss on the contract is recognised as an expense and a provision is made.

Financial statements 1 January – 31 December

Accounting policies

When income and expenses on a construction contract cannot be estimated reliably, the selling price is recognised only to the extent of contract costs incurred which are considered recoverable.

Where the selling price of work performed exceeds progress billings on construction contracts and anticipated losses, the excess is recognised under receivables. If progress billings and anticipated losses exceed the selling price of a construction contract, the deficit is recognised under liabilities.

Prepayments from customers are recognised under liabilities.

Selling costs and costs incurred in securing contracts are recognised in the income statement as incurred.

Equity

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Warranty provisions

Warranty provisions comprise commitments to remedy defects and deficiencies within the warranty period. Warranty provisions are recognised and measured at nominal value based on experience from prior years.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for 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 value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, 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.

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. Change in deferred tax as a result of changes in tax rates are recognised in the income statement.

Financial statements 1 January – 31 December

Accounting policies

Liabilities other than provisions

Other liabilities are measured at net realisable value.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios have been calculated as follows:

Return on invested capital

$$\frac{\text{Operating profit/loss} \times 100}{\text{Average invested capital}}$$

Return on equity

$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Financial statements 1 January – 31 December

Income statement

DKK	Note	2015	2014
Gross profit		22,752,148	22,926,918
Staff costs	1	-16,754,369	-16,682,650
Depreciation of property, plant and equipment	2	707,964	-653,650
Profit before financial income and expenses		6,705,743	5,590,618
Other financial income	3	63,828	75,962
Other financial expenses	4	-17,596	-94,560
Profit before tax		6,751,975	5,572,020
Tax on profit for the year	5	-1,540,357	-1,422,959
Profit for the year		5,211,618	4,149,061
Proposed profit appropriation			
Proposed dividends for the financial year		0	14,900,000
Retained earnings		5,211,618	-10,750,939
		5,211,618	4,149,061

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment			
Land and buildings	6	101,297	101,297
Fixtures and fittings, tools and equipment		512,583	1,614,619
		<u>613,880</u>	<u>1,715,916</u>
Total non-current assets		<u>613,880</u>	<u>1,715,916</u>
Current assets			
Inventories			
Raw materials and consumables		1,783,531	2,325,988
		<u>1,783,531</u>	<u>2,325,988</u>
Receivables			
Trade receivables		33,474,875	19,266,853
Construction contracts	7	2,823,110	6,245,838
Receivables from group entities		25,055,703	35,238,851
Joint taxation contribution receivable		434,462	0
Deferred tax assets		0	1,194,224
		<u>61,788,150</u>	<u>61,945,766</u>
Total current assets		<u>63,571,681</u>	<u>64,271,754</u>
TOTAL ASSETS		<u>64,185,561</u>	<u>65,987,670</u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2015	2014
EQUITY AND LIABILITIES			
Equity			
	8		
Share capital		1,000,000	1,000,000
Retained earnings		19,918,485	14,706,867
Proposed dividends for the financial year		0	14,900,000
Total equity		<u>20,918,485</u>	<u>30,606,867</u>
Provisions			
	9		
Provisions for deferred tax		780,595	0
Warranty provisions		903,800	1,202,300
Total provisions		<u>1,684,395</u>	<u>1,202,300</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		1,712,681	1,457,245
Advance billings, work in progress	7	13,171,058	8,875,268
Payables to group entities		19,137,401	15,753,525
Corporation tax		0	2,666,468
Other payables	10	7,561,541	5,425,997
		<u>41,582,681</u>	<u>34,178,503</u>
Total liabilities other than provisions		<u>41,582,681</u>	<u>34,178,503</u>
Total equity and liabilities		<u><u>64,185,561</u></u>	<u><u>65,987,670</u></u>
Contractual obligations, contingencies, etc.	11		
Related party disclosures	12		

Financial statements 1 January – 31 December

Notes

1 Staff costs

DKK	2015	2014
Wages and salaries	15,240,667	15,090,266
Pensions	1,386,180	1,449,691
Other social security costs	127,522	142,693
	<u>16,754,369</u>	<u>16,682,650</u>
Average number of full-time employees	<u>25</u>	<u>26</u>

Remuneration of the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

2 Depreciation of property, plant and equipment

Depreciation of property, plant and equipment	402,036	653,900
Gain/loss on disposal	-1,110,000	-250
	<u>-707,964</u>	<u>653,650</u>

3 Other financial income

Financial income from group entities	63,828	75,962
	<u>63,828</u>	<u>75,962</u>

4 Other financial expenses

Interest paid to group entities	-17,596	0
Other financial expenses	0	94,560
	<u>-17,596</u>	<u>94,560</u>

5 Tax on profit for the year

Current tax	-434,462	2,666,468
Changes in deferred tax	2,051,046	-1,243,509
Adjustment of deferred tax due to lower tax percentage	-76,227	0
	<u>1,540,357</u>	<u>1,422,959</u>

Financial statements 1 January – 31 December

Notes

6 Property, plant and equipment

DKK	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2015	390,000	3,921,252	4,311,252
Additions during the year	0	0	0
Disposals during the year	0	-2,030,215	-2,030,215
Cost at 31 December 2015	390,000	1,891,037	2,281,037
Depreciation at 1 January 2015	-288,703	-2,306,633	-2,595,336
Depreciation for the year	0	-402,037	-402,037
Depreciation	0	1,330,215	1,330,215
Depreciation 31 December 2015	-288,703	-1,378,455	-1,667,158
Carrying amount at 31 December 2015	101,297	512,583	613,880

7 Construction contracts

DKK	2015	2014
Selling price of completed work	22,081,724	15,271,900
On-account payments received	-32,429,672	-17,901,330
	-10,347,948	-2,629,430
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	2,823,110	6,245,838
Advance billings, work in progress	-13,171,058	-8,875,268
	-10,347,948	-2,629,430

Financial statements 1 January – 31 December

Notes

8 Equity

DKK	Share capital	Retained earnings	Proposed dividends for the year	Total
Equity at 1 January 2014	1,000,000	25,457,806	0	26,457,806
Net profit/loss for the year	0	-10,750,939	14,900,000	4,149,061
Equity at 31 December 2014	1,000,000	14,706,867	14,900,000	30,606,867
Equity at 1 January 2015	1,000,000	14,706,867	14,900,000	30,606,867
Distributed dividends	0	0	-14,900,000	-14,900,000
Net profit/loss for the year	0	5,211,618	0	5,211,618
Equity at 31 December 2015	1,000,000	19,918,485	0	20,918,485

The share capital comprises 1,000 shares of a nominal value of DKK 1,000 thousand each.

The share capital has not undergone any changes during the past five years.

DKK	2015	2014
9 Warranty provisions		
Warranty provisions	903,800	1,202,300

In general, the Company provides a warranty of 1-2 years on machinery delivered. The warranty provision has been recognised based on previous experience with warranty work.

10 Other payables

VAT and duties	4,055,709	2,189,852
Wages and salaries, personal income taxes, social security costs, etc.	1,681,234	1,872,099
Holiday pay obligations	1,824,598	1,364,046
	7,561,541	5,425,997

Financial statements 1 January – 31 December

Notes

11 Contractual obligations, contingencies, etc.

Lease commitments

For the years 2016-2020, the Company has entered into leases relating to rent and cars at a total of DKK 6,634 thousand. Annual expenses arising from operating leases represented DKK 797 thousand for 2016.

Annual rent commitments reached DKK 940 thousand. The leasehold is interminable until 2022.

Bank guaranties to customers accounted for DKK 22,234 thousand.

Liability in joint taxation

The Company is jointly taxed with other Danish group companies. As a group company, together with the other companies included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. The jointly taxed entities' total known net liabilities to the Danish tax authorities, SKAT, are stated in the administrative company's financial statements, GEA Process Engineering A/S, CVR No. 10 05 07 15. Any subsequent corrections to the joint taxation income and withholding tax, etc. may result in an increased liability for the Company.

12 Related party disclosures

GEA Westfalia Separator DK A/S' related parties comprise the following:

Ownership

The Company has registered the following shareholders as having more than 5 % of the voting share capital or of the nominal value of the share capital:

GEA Process Engineering A/S, Gladsaxevej 305, 2860 Søborg, 100%.

Consolidation

The ultimate parent company is:

GEA Group AG, Peter Müller Strasse 12, D-40468 Düsseldorf, Germany.