

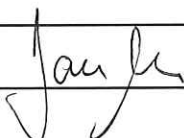


Alfa Laval Aalborg A/S

Annual report 2021

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

on _____ 2022 _____


_____ chairman

Alfa Laval Aalborg A/S
Gasværksvej 21
DK-9000 Aalborg
Tel.: +45 99 30 40 00
www.alfalaval.com

CVR no. 17 83 06 35



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Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Alfa Laval Aalborg A/S for the financial year 1 January – 31 December 2021.

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 financial position of the Company at 31 December 2021 and of the results of its operations for the financial year 1 January – 31 December 2021.

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

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

Aalborg, 31 May 2022

Executive Board:

A blue ink signature of Søren Hjorth Krarup, written in a cursive style, positioned above a horizontal line.

Søren Hjorth Krarup

Board of Directors:

A blue ink signature of Jan Lennart Allde, written in a cursive style, positioned above a horizontal line.

Jan Lennart Allde
Chairman

A blue ink signature of Søren Hjorth Krarup, written in a cursive style, positioned above a horizontal line.

Søren Hjorth Krarup

A blue ink signature of Emma Rebecka Matilda Adlerton, written in a cursive style, positioned above a horizontal line.

Emma Rebecka Matilda Adlerton

A large blue ink signature of Lars Skytte Jørgensen, written in a cursive style, positioned above a horizontal line.

Lars Skytte Jørgensen

A blue ink signature of Jacob Nørgaard, written in a cursive style, positioned above a horizontal line.

Jacob Nørgaard

A blue ink signature of Tina Sørensen, written in a cursive style, positioned above a horizontal line.

Tina Sørensen



Independent auditor's report

To the shareholder of Alfa Laval Aalborg A/S

Opinion

We have audited the financial statements of Alfa Laval Aalborg A/S for the financial year 1 January – 31 December 2021, 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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 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.



Independent auditor's report

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 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.



Independent auditor's report

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 Statements Act. We did not identify any material misstatement of the Management's review.

Aalborg, 31 May 2022

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

A handwritten signature in blue ink, appearing to read 'Hans B. Vistisen'.

Hans B. Vistisen
State Authorised Public Accountant
mne23254

A handwritten signature in blue ink, appearing to read 'Chris Mark'.

Chris Mark
State Authorised Public Accountant
mne42788

Alfa Laval Aalborg A/S

Annual report 2021



Management's review

Company details

Alfa Laval Aalborg A/S
Gasværksvej 21
DK-9000 Aalborg

Telephone: +45 99 30 40 00

CVR no.: 17 83 06 35
Established: 15 April 1984
Registered office: Aalborg
Financial year: 1 January – 31 December

Board of Directors

Jan Lennart Allde (Chairman)
Søren Hjort Krarup
Emma Rebecka Matilda Adlerton
Lars Skytte Jørgensen
Jacob Nørgaard
Tina Sørensen

Executive Board

Søren Hjorth Krarup

Audit

EY Godkendt Revisionspartnerselskab
Vestre Havnepromenade 1A
DK-9000 Aalborg

Annual general meeting

The annual general meeting will be held on 31 May 2022.



Management's review

Financial highlights

DKKm	2021	2020	2019*	2018	2017
Revenue	2,550	2,519	1,821	973	1,153
Gross profit/loss	387	374	330	250	249
Profit/loss from ordinary operating activities	58	81	20	-24	48
Profit/loss from net financials, incl. dividend	241	332	175	163	65
Profit/loss for the year	319	400	191	143	106
Total assets	2,037	2,098	2,110	1,604	1,960
Investments in property, plant and equipment	2	3	2	2	16
Equity	1,133	1,020	744	647	680
Profit margin	2.3%	3.2%	1.1%	-2.5%	4.1%
Return on capital employed	2.8%	3.8%	1.1%	-1.4%	2.3%
Equity ratio	55.6%	48.6%	35.2%	40.3%	34.7%
Return on equity	29.6%	45.3%	27.4%	21.6%	17.2%
Average number of full-time employees	427	461	423	365	343

* In June 2019 the Pure Ballast activity was transferred from Alfa Laval Copenhagen A/S. The book value method was used and no comparative figures was adjusted in relation to this structural change. The Pure Ballast activity was recognised from date of change in control, 1 June 2019 and until 31 December 2019 (7 months).

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

The financial highlights have been calculated as follows:

Profit margin	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Return on capital employed	$\frac{\text{Operating profit/loss}}{\text{Average assets} \times 100}$
Equity ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$



Management's review

Operating review

Principal activities

The Company develops, manufactures, delivers and services boilers, burners, exhaust gas cleaning systems, heat exchangers and inert gas systems for ships and industries worldwide. Moreover, the Company is increasing its focus on the development of green technologies designed for the shipping industry, including assembly of ballast water treatment equipment.

Development in activities and financial matters

In 2021, the Company reported revenue of DKK 2,549,704 thousand against DKK 2,518,998 thousand last year. The income statement for 2021 shows a profit of DKK 318,539 thousand against a profit of DKK 399,614 thousand last year.

The realised revenue and profit from ordinary operating activities ended up lower than what we had assumed in our outlook in our last annual report. This is mainly driven by delays in revenue due to the Covid-19 pandemic. However, the development versus last year is still considered satisfactory.

At 31 December 2021, the Company's balance sheet showed equity of DKK 1,133,165 thousand.

The purpose of our business is to accelerate success for our customers, people and planet

Alfa Laval is a leading global provider of premium products in the areas of technology, services and digital solutions within heat transfer, separation, and fluid handling, and is active in the areas of Energy, Marine and Food & Water. Alfa Laval offers its expertise, products, and services to a wide range of customers worldwide. Alfa Laval is committed to optimizing processes, creating responsible growth, and driving progress – always going the extra mile to support customers in achieving their business goals and sustainability targets.

Alfa Laval's innovative technologies are dedicated to purifying, refining, and reusing materials, to promote a more responsible use of natural resources. The company contributes to improved energy efficiency and heat recovery, better water treatment and reduced CO2 emissions. In this way, Alfa Laval is not only accelerating success for its customers, but also for people and the planet.

Alfa Laval's Danish companies are owned by Alfa Laval Corporate AB, which is listed on Nasdaq OMX. The group is headquartered in Lund, in the Oresund region. Alfa Laval's products are sold in more than 100 countries, of which more than 50 have their own sales organizations.

Alfa Laval has approx. 17,900 employees in 50 sales companies and more than 100 local service centres worldwide. Most of the employees work in Sweden, Denmark, China, India, and North America.

Alfa Laval's five business entities in Denmark have approx. 1,750 employees focusing primarily on innovation, business development, production, sales, and sales promotion. Several of Alfa Laval's knowledge hubs and test centres are based in the Danish companies and represent a vital part of the Alfa Laval Group's development activities.

2021 in brief

2021 was another strong year for Alfa Laval. The company's business units launched a new strategic plan for long-term growth leading to significant year-end results, particularly in relation to



the overall aim to strengthen order intake, earnings, customer experience, and to increase Alfa Laval's overall market share.

The full-year order intake amounted to SEK 45.7 billion or DKK 33.2 billion and finished strongly with order intake growing to 26 percent. In fact, almost all regions and end-user markets showed good results during the year.

The main growth driver continues to be the growing demand for sustainable solutions for energy efficiency and decarbonization. Additionally, the contracting of new ships accelerated significantly, indicating profitable business opportunities within the Marine sector.

After several years of low activity level in the Oil & Gas sector, order intake is also growing in the end markets. Finally, service continued to show growth across the company in the fourth quarter and increased by 14 percent compared to last year.

Despite high-cost inflation, raw material costs, and logistic costs, Alfa Laval reached a EBITA margin of 17 percent through higher volumes, operating efficiency, and a further reduction of costs. Alfa Laval's supply chain was stable at the end of the year despite a challenging environment. Delayed deliveries due to component shortages remained at approximately the same level as 2020.

The annual accounts of the Danish companies have been affected positively by the increasing demand from major energy companies for hydrotreated vegetable oil (HVO) pre-treatment systems to produce renewable diesel from used cooking oil for heavy transport.

Due to increasing prices on fossil fuels in 2021, Alfa Laval in Denmark is also experiencing increasing demand for decanter centrifuges for ethanol production - a biofuel that reduces the environmental impact of fossil fuels.

In addition, the continued impact of the Covid-19 pandemic in 2021, seriously boosted the sale of digital solutions, which was particularly evident in the breakthrough of the sales of digital solutions for Alfa Laval's decanter centrifuges to the Food and Wastewater industries. The interplay between increased sales of digital solutions for decanter centrifuges and the implementation of a new digital remote service solution based on merged reality also had a positive effect on the company's service business, which grew considerably in 2021, in Denmark and globally.

Alfa Laval also experienced an increasing demand from established dairies in Denmark and the Nordic countries for, e.g., decanter centrifuges. This development is based on a desire to expand portfolios to also include various plant-based beverages and is driven by increased demand for plant-based beverages, such as wheat and soy, caused partly by pressured global food supply chains and because of increased consumer awareness of food's environmental footprint.

The market for plant-based protein also continued to grow in 2021, which contributed positively to the sale of Alfa Laval's processing equipment for more traditional forms of plant-based protein. The company is also experiencing increasing interest in investment in the development of new types of protein based on new raw materials, such as plants or insects, and in completely new forms of production, such as those based on cell-grown protein.

Investments and development in Denmark

The financial year saw several different investments in Alfa Laval's Danish sites. The company continued to invest in new technology that will enable shipowners to live up to the ever-tightening requirements for shipping worldwide. Through a collaboration with Blue World Technologies in Aalborg, Alfa Laval has succeeded in developing fuel cells, which will enable the use of methanol as a cleaner alternative to fossil fuels on board ships. Testing is scaled up to take place in a natural size ratio at the test and training centre in Aalborg. The use of methanol as a fuel is generally considered a step in the right direction and is part of a larger solution to ensure a transition to



shipping that has a drastically reduced environmental impact. The development has taken place in close collaboration with customers in the Marine industry and is planned for launch during 2022.

In Søborg, Alfa Laval has invested in a new innovation and test centre that will provide customers, and Alfa Laval, with a framework for testing and developing the use of Alfa Laval Revos. The technology is used to concentrate, for example, beer, which enables breweries around the world to reduce the volume of the finished beer they transport by up to 80 percent by simply transporting a concentrate, thus reducing the environmental impact while at the same time preserving the full taste experience.

Alfa Laval has also continued the expansion of its global test and innovation centre for decanter centrifuges in Søborg. With the employment of more employees to work with machine learning and data processing, the staffing is almost fully expanded, and the utilization rate of the facilities is now close to maximum.

Also, in Søborg, Alfa Laval's Nordic service and sales company continued to expand the Group's regional service centre for separation technology, in 2021, by increasing capacity and adding more advanced services that cannot be implemented at customer sites. This includes the service of an increasing amount of equipment from customers all over the Nordic region as well as elsewhere in Northern Europe. The employees are experienced specialists with a focus on both quality and safety.

At Alfa Laval's site in Nakskov, the company laid the foundations for investment in an upgrade of production equipment and production capacity. This is ongoing alongside targeted efforts to reduce the amount of wastewater and the cost of chemical treatment driven by the tightening of EU chemicals legislation REACH in 2018 and increased product quality requirements. In 2021, 70 percent of the process water used was treated to a quality that means it can be sent directly to the local municipal treatment plant via a pipeline built by Alfa Laval in 2020. The company continues to optimize its water consumption and wastewater treatment.

2021 was also the year in which Alfa Laval took new steps to move activities from its Eastbourne factory, in the UK, to the company's site in Kolding. The purpose of the move is partly to optimize production and standardize products and partly to ease the environmental footprint of the company's activities.

In 2021, the company also launched several new groundbreaking solutions for hygienic liquid handling. The new DuraCirc® pump gives a large number of industries a highly optimized operation and is unparalleled in the market. The launches of Condition Monitor and CM Connect are the first step towards the digitized monitoring of hygienic liquid handling, which will improve Alfa Laval's ability to anticipate customers' operational failures and improve their utilization of Alfa Laval equipment.

In 2021, Alfa Laval also entered into a collaboration with Stena Recycling with a view to reutilizing worn-out heat exchangers from customers throughout the Nordic region. The scheme ensures the recycling of all metal in the used heat exchangers. It is a significant step towards ensuring the recycling of other worn-out products and will contribute to neutralizing Alfa Laval's CO2 emissions by 2030.

Contribution to energy transition

In 2021, the Alfa Laval Group enhanced its interplay between services, business development and the digital transformation of business processes. In addition, the higher volume of digital services, which enable its customers to assess the need for service to reduce their carbon footprint, is also enhanced and has led to a more dynamic approach in the optimization of customers' systems.



Across Alfa Laval's customer-focused activities, four cornerstones have been identified in the effort to reduce carbon footprint. These areas contribute to Alfa Laval's profitability and to enhancing customer competitiveness through sustainable solutions. These are now a driving force for green transition.

Energy efficiency

Accelerating sustainable solutions through energy efficiency is essential for the delivery of sustainable products and solutions across all of Alfa Laval's business areas and industries.

Alfa Laval's heat transfer technology plays a decisive role in recovering and converting waste heat directly into electrical power on board ships as it is up to 50 percent more energy efficient than traditional technology. This reduces costs and provides customers with an incentive to reuse heat as fossil fuel prices continue to rise. Shipowners' use of green hydrogen as an alternative fuel will also drive rapid cost reduction for green hydrogen.

Clean energy

The demand for clean energy solutions accelerated faster than ever in 2021, and Alfa Laval kept its investments in the field as a result. Heat transfer and separation technologies are often critical components when producing green hydrogen, Power-to-X, and fuels cells for energy storage, which make them significant business potential areas.

Circularity

In 2021, circularity became an even more important part of Alfa Laval's activities in improving and optimizing its customers' recirculation of water, heat, chemicals, polymers, and other resources.

Alfa Laval's customers are embracing circularity to turn a profit, which is essential for Alfa Laval's move towards circularity and circular economy. Processing the by-products of ethanol production is far more profitable for customers than the actual ethanol production.

Sustainable food

In recent years, Alfa Laval has been preparing for changing consumer behaviour for sustainable foods and has developed energy-efficient solutions for plant-based protein processing systems. This is partly to ensure the higher yield of existing foods and partly to strengthen global supply chains and to enable a supplement from local supply chains.

Sustainability

Alfa Laval is not only accelerating sustainability for its customers. For Alfa Laval, sustainability is an integral part of our long-term strategy and Alfa Laval continues to support the UN Global Compact. In addition, Alfa Laval has joined the '1.5 C Business Playbook initiative to accelerate its efforts to become carbon neutral by 2030. It is a big undertaking for the Alfa Laval Group, but progress in 2021 was substantial. First, the emissions of scope 1 & 2 were reduced by 33 percent compared to 2020, despite increased volumes in production. Second, for the first time, Alfa Laval now has a clear plan for how to reach our objectives by 2030.

Alfa Laval aims to reduce its impact on the environment and continues its efforts to reduce emissions throughout the value and supply chains, while also extending the lifespan of our products. Many Alfa Laval products have a lifespan of 20 to 30 years. By designing products that last longer, Alfa Laval sees the greatest potential for reducing its environmental impact. Alfa Laval will develop environmentally optimized products for use in global supply chains and help its

Alfa Laval Aalborg A/S

Annual report 2021



customers to optimize their processes to become more productive, energy efficient and competitive.

Inclusion and diversity

At Alfa Laval, collaboration and strong, lasting partnerships are deeply rooted in our culture. Development, implementation, and servicing of customer solutions take place together with our customers and our partners. At Alfa Laval, we always go the extra mile to overcome the toughest challenges. Alfa Laval has dedicated people with curious minds and its driving force is to accelerate success for its customers, people, and planet. Every day.

At present there are 44 nationalities in the Danish companies, which clearly demonstrates that diversity and inclusion are key priorities

Alfa Laval in Denmark

The five Danish companies work closely together to coordinate activities and to position Alfa Laval Group in Denmark. Below is an overview of the activity areas of the five different legal entities.

Alfa Laval Aalborg A/S

Alfa Laval Aalborg is a global centre for boiler technology. The company develops, manufactures, supplies and services boilers, burners, heat exchangers and inert gas burners for ships and industries throughout the world. The company has increasing focus on the development of green technologies for the Shipping industry, such as fuel cells as a renewable energy source for shipping. Alfa Laval Aalborg has the world's largest test and training centre, which gives the customers a unique opportunity to test their marine products in their own environment using seawater from the nearby Limfjord and with state-of-the-art equipment. In addition, the company has production facilities for manufacturing of PureBallast technology dedicated to ballast water treatment on board ships.

Alfa Laval Copenhagen A/S

Alfa Laval Copenhagen, headquartered in Søborg, is a global centre for process technology, decanter centrifuges and desalination. Alfa Laval's Food & Water Division and Alfa Laval's global Innovation & Test Centre for decanters are also headquartered in Søborg. The primary business areas are product development, production, sales promotion and worldwide sales of various technologies, digital solutions, services for various industries within the Energy sector, Food industry and Wastewater treatment business.

Alfa Laval Kolding A/S

Alfa Laval Kolding is a global centre for flow equipment and for tank-cleaning equipment. The primary business areas are product development, production, distribution and sale of pumps, valves and tank equipment for the Food, Brewery, Dairy, Pharmaceutical and Cosmetics industries. The company specializes in precision control of fluid transport solutions for pumping liquids of any viscosity, fast cleaning, and intelligent, automated control. In addition, the company is responsible for purchasing complementary solutions for use within Food & Beverage, Brewery, Pharmaceutical, Chemical, and Pulp & Paper as well as the Marine and Offshore industries. In addition, the company has a global Application & Innovation Centre and a Training Centre, which are used by end users, business partners and Alfa Laval employees.



Alfa Laval Nakskov A/S

Alfa Laval Nakskov is a global centre for membrane filtration. The company is Alfa Laval's global centre for development, production and sale of membranes and advanced liquid separation systems for the Biotechnological and Pharmaceutical industries, the Food industry, the Process industry, the Wastewater industry and other selected customers and applications. The company produces the finest pore-size filters in the market ranging from microfiltration to nanofiltration and ultrafiltration to reverse osmosis membranes, where separation takes place based on molecular size. The company develops and provides MBR Membranes, which makes wastewater plants smaller, less expensive, and more efficient. Alfa Laval Nakskov also has a global test centre where customers can test Alfa Laval's membrane technology on various applications.

Alfa Laval Nordic A/S

Alfa Laval Nordic A/S is the Alfa Laval Group's sales and service company in Denmark. The company is responsible for the sales and marketing of products and systems, as well as the sale of spare parts and services within separation, heat exchangers and liquid handling in Denmark. The company is part of the Nordic sales region within Alfa Laval, which entails integrated cooperation across the sales organizations in Denmark, Finland, Norway, and Sweden, which also covers activities in Iceland and the Faroe Islands.

Unusual matters

No unusual matters have occurred in 2021 that have materially affected results apart from the market trends in the marine industry and the volatility due to the Covid-19 Pandemic.

Uncertainty related to recognition and measurement

There are no material uncertainty related to the financial statement items in the annual report.

Special risks

The Company assesses that it is exposed to the following risks that may affect performance and expected results:

- Cancellation of contracts or credit risk
- Product defects
- Competitive environment
- Foreign currency risk related to purchase and sale on global markets
- Trends in the new ship market.

Activities are continuously in progress to reduce the effect of these risks.

Research and development activities

The Company's products are continuously perfected. The products are continuously developed and adjusted to meet our customers' and markets' needs and developments.



Report on the gender composition of Management

The composition of the Board of Directors is decided at group level in accordance with the Group's and thus the Company's general policy that "Alfa Laval is working to achieve equal career opportunities of for instance gender or ethnic origin". At 31 December 2021, the Board of Directors of Alfa Laval Aalborg A/S consisted of 6 members, of which two are female. One female board member was elected by the general meeting.

It is Alfa Laval's goal by 2025 to have 35% females globally and 25% female managers. Consequently, we have regular development programmes for women with management potential.

Corporate social responsibility (CSR)

Alfa Laval respects human rights of employees and the communities that we live in and deliver to. For our statutory report on corporate social responsibility, cf. section 99a, reference is made to: <https://www.alfalaval.com/about-us/sustainability/a-matter-of-trust/sustainability-reports/>

Moreover, reference is made to the consolidated financial statements of our Swedish parent company Alfa Laval AB.

Report on the company's policy on data ethics according to section 99 d of the Danish Financial Statements Act

Alfa Laval Aalborg A/S is working with data in alliance with the Alfa Laval Business Principles within the Compliance and Ethics Program valid for the Alfa Laval group. The headlines for working ethical around data in Alfa Laval are "Transparency" and "Trust". Working transparent and trustworthy with protection of personal data, safeguarding confidential business data, reporting financial data honestly and protection of Alfa Laval's assets. Policies and guidelines for working with data are in place.

Alfa Laval Aalborg A/S is working with several types of data such as personal data, confidential business information – such as technical, financial and data about employees, customers and business partners. For Alfa Laval data is a valuable asset and treated in a secure and confidential way. Use of new technologies are only used if in line with internal principles, policies and guidelines.

Employees are trained in working with data securely and in compliance with relevant legislations.

Outlook

In 2022 the Company expects an increase in revenue to app. DKK 3,2 billion and increase in operating profit to app. DKK 78 million compared to 2021.



Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2021	2020
Revenue	2	2,549,704	2,518,998
Raw materials and consumables		-1,749,689	-1,796,539
Other operating income		25,074	72,801
Other external expenses		-438,585	-420,866
Gross profit/loss		386,504	374,394
Staff costs	3	-303,657	-270,007
Amortisation of intangible assets and depreciation on property, plant and equipment	8.9.10	-24,747	-23,631
Profit/loss from ordinary operating activities		58,100	80,756
Income from equity investments in group entities		252,617	355,639
Financial income	4	1,545	559
Financial expenses	5	-13,275	-24,521
Profit/loss before tax		298,987	412,433
Tax for the year	6	19,552	-12,819
Profit/loss for the year		318,539	399,614



Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2021	2020
Assets			
Fixed assets			
Intangible assets	8		
Intangible assets acquired regarding technologies		9,490	11,863
Property, plant and equipment	9		
Land and buildings		22,390	23,543
Plant and machinery		3,616	4,414
Fixtures and fittings, tools and equipment		20,891	28,793
Property, plant and equipment under construction		129	305
		47,026	57,055
Leasing assets	10		
Right of use		136,015	146,050
Investments	11		
Equity investments in group entities		598,280	604,363
Other receivables		4,801	4,797
		603,081	609,160
Total fixed assets		795,612	824,128
Current assets			
Inventories			
Raw materials and consumables		445,129	319,127
Finished goods		149,611	186,786
Prepayments for goods		13,625	20,655
		608,365	526,568
Receivables			
Trade receivables		50,672	65,183
Contract assets	12	90,571	86,066
Receivables from group entities		153,927	198,491
Corporation tax receivable		11,924	0
Other receivables		25,817	29,295
		332,911	379,035
Cash		299,726	367,906
Total current assets		1,241,002	1,273,509
TOTAL ASSETS		2,036,614	2,097,637



Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Share capital	13	256,097	256,097
Retained earnings		677,068	563,408
Proposed dividend for the financial year		200,000	200,000
Total equity		1,133,165	1,019,505
Provisions			
Deferred tax	14	8,232	8,402
Warranty commitments	15	69,699	60,926
Other provisions	16	21,000	21,743
Total provisions		98,931	91,071
Liabilities			
Long term liabilities other than provisions			
Leasing obligation, right of use	17	132,148	140,640
Other payables		0	21,760
Total long term liabilities other than provisions		132,148	162,400
Current liabilities other than provisions			
Leasing obligation, right of use		9,127	9,039
Loans from group entities	18	121,139	272,339
Prepayments received from customers		8,499	4,687
Contract liabilities	12	98,654	106,643
Trade payables		209,834	184,131
Payables to group entities		118,343	104,914
Corporation tax payable		0	2,766
Other payables		106,774	140,142
Total current liabilities		672,370	824,661
Total liabilities		804,518	987,061
TOTAL EQUITY AND LIABILITIES		2,036,614	2,097,637
Contractual obligations and contingencies, etc.	19		
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Events after the balance sheet date	22		



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Statement of changes in equity

DKK'000	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2020	256,097	337,711	150,000	743,808
Distributed dividend	0	0	-150,000	-150,000
Transferred; see distribution of profit/loss	0	199,614	200,000	399,614
Value adjustments of hedging instruments	0	33,440	0	33,440
Tax on entries on shareholders' equity	0	-7,357	0	-7,357
Equity at 1 January 2021	256,097	563,408	200,000	1,019,505
Distributed dividend	0	0	-200,000	-200,000
Transferred; see distribution of profit/loss	0	118,539	200,000	318,539
Value adjustments of hedging instruments	0	-6,255	0	-6,255
Tax on entries on shareholders' equity	0	1,376	0	1,376
Equity at 31 December 2021	256,097	677,068	200,000	1,133,165



Financial statements 1 January – 31 December

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1 Accounting policies

The annual report of Alfa Laval Aalborg A/S for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the consolidated cash flow statement of Alfa Laval Corporate AB.

Pursuant to section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The financial statements of Alfa Laval Aalborg A/S and its subsidiaries are included in the consolidated financial statements of Alfa Laval Corporate AB.

Pursuant to section 96(3) of the Danish Financial Statements Act, the financial statements do not disclose information about fees to the auditor appointed at the annual general meeting. The fees are disclosed in the consolidated financial statements of Alfa Laval Corporate AB.

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

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 rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or financial expenses.



Financial statements 1 January – 31 December Notes

1 Accounting policies (continued)

Integrated foreign entities are translated according to the following principles:

- The income statement is translated at the rates at the transaction date except for items derived from non-monetary assets. These are translated at the historical rates of the related monetary item.
- Monetary balance sheet items are translated at the rates at the acquisition date or any later date of revaluation.

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 or other payables.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of the fair value of a recognised asset or liability are recognised in the income statement together with fair value adjustments of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of future transactions are recognised in other receivables or other payables and in equity until the hedged transactions are carried out. If the 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 forecast transaction results in income or expenses, amounts previously recognised in equity are 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 on an ongoing basis.

Income statement

Revenue

The company will be applying IFRS 15 as its basis of interpretation for the recognition of revenue.

The revenue is recognised when the control of the identifiable individual performance obligations has been performed in respect of the customer whereby the customer gains control of the asset or the service. Sales remunerations are allocated proportionally to the individual performance obligations in the agreement.

Revenue from service contracts is recognised on a linear basis over the period during which the service is performed.

Revenue is measured at fair value of agreed remunerations, less VAT and expenses. All forms of discount are recognised in revenue.



Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Revenue from contracts, including variable considerations such as quantity discounts and performance-related payments are recognised at the most probable consideration value. Revenue is not recognised until it is deemed most likely that changes in the estimated variable consideration will not subsequently result in the reversal of a material part of the amount, thus reducing revenue.

Other external expenses

Other external costs include costs relating to the company's primary activity that are incurred during the year, including costs for distribution, sales, advertising, administration, premises, bad debts, lease payments on operating leases, license fees etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions and other social security costs, etc., relating to the Company's employees. Refunds received from public authorities are deducted from staff costs.

Other operating income

Other operating income comprises items secondary to the Company's activities, including licence fees and gains on disposal of intangible assets and property, plant and equipment.

Other operating expenses

Other operating expenses comprise items secondary to the Company's activities and losses on disposal of intangible assets and items of property, plant and equipment.

Income from equity investments in group entities

Dividends from subsidiaries are recognised in the income statement.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.



Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Tax for the year

Tax for the year comprises current corporation 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 amounts recognised directly in equity is recognised directly in equity.

The Company is jointly taxed with the other Danish entities in the Alfa Laval Group. The Danish 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 administration company based on the rates applicable to interest allowances, and jointly taxed entities that have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the administration company.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Intangible assets acquired are measured at cost less accumulated amortisation and impairment losses and are usually amortised over 5 years, however not more than 20 years.

Gains and losses on the disposal of intangible assets are calculated as the difference between the selling price less selling costs 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.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

The basis of depreciation is cost less any expected residual value at the end of the useful life. The basis of depreciation is distributed on a straight-line basis over the expected useful lives, which are as follows:

Buildings	20-40 years
Plant and machinery	3-10 years
Fixtures and fittings, tools and equipment	3-10 years

Useful lives and residual amounts are reassessed annually. Changes are treated as accounting estimates, and the effect of depreciation charges are recognised prospectively. Land is not depreciated.



Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation charges are recognised in the income statement.

Gains and losses on the disposal of property, plant and equipment are made up as the difference between the selling price less selling costs 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.

Right-of-use assets

The company apply IFRS 16 as its basis of interpretation for the recognition of classification and recognition of leases.

Leases pertaining to property, plant, and equipment for which the company has the right-of-use are recognised in the statement of financial position as right-of-use assets. The assets are, at initial recognition, measured at imputed cost, consisting of:

- The imputed lease liability
- Any lease payments paid prior to – or on – the starting date, less any lease incentives received
- Any direct start-up costs
- Any restoring costs

Hereafter, recognised leased assets are treated like the company's remaining property, plant, and equipment.

Lease liabilities are recognised in the statement of financial position as liabilities other than provision and are measured, at initial recognition, at the present value of lease payments payable over the lease term. This includes a purchase option in the event that the company expects to purchase the right-of-use asset. When determining the present value, the internal rate of return or, alternatively, the company's borrowing rate is applied as discount rate.

Hereafter, the lease liability is treated like the remaining financial liabilities, i.e. at amortised cost.

The interest element of the lease payments is recognised in the income statement over the contractual term.

The following leases are not recognised as assets and liabilities in the statement of financial position:

- Leases with a duration of twelve months or less (short leases)
- Leases where the replacement value of the asset is less than DKK 30,000. (low-value assets)

For such leases, the lease payment is recognised in the income statement as an expense on a linear basis over the lease term.



Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

When measuring the lease commitment, the Company has in absence of an contractual interest rate used an average incremental borrowing rate for discounting future lease payments of 1,8% for operating equipment, 3.0% for production properties and 3.0% for sale and administration properties.

Investments

Equity investments in subsidiaries are measured at cost less write-downs. In case of indication of impairment, an impairment test is conducted. If cost exceeds the recoverable amount, a write-down is made to this lower value.

Other receivables and deposits are recognised at amortised cost.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted on individual assets or groups of related assets when there is indication of impairment. Write-down is made to the lower of the carrying amount and the 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.

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.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour costs and production overheads. Production overheads comprise costs of material and labour as well as maintenance of and depreciation on production machinery, buildings and equipment as well as costs relating to plant administration and management. Borrowing costs are not recognised in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.



Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

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

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Contract work in progress

Ongoing service deliverables and contract work in progress are measured at the selling price of the work performed less progress billings. The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the work. The stage of completion is determined based on costs incurred relative to the expected total costs for the individual work in progress.

Where the selling price of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

If total costs of the contract work are expected to exceed the total sales value, the expected loss is recognised as an onerous agreement under provisions and expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the selling price.

Equity

Dividend

Proposed dividend 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 year is presented as a separate line item in equity.

Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for corrections of tax relating to taxable income in previous years 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, calculated on the basis of the intended use of the asset and 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 within the foreseeable future; 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.



Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

Provisions

Provisions comprise anticipated costs related to warranties. Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, 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.

Warranty commitments include expenses for remedial action in respect of work within the warranty period. Provisions are measured and recognised based on experience gained from guarantee work. Provisions expected to mature after more than one year after the balance sheet date are discounted at a rate reflecting the risk and maturity date of the liability.

When it is probable that the total contract expenses will exceed the total contract revenue, a provision is made for the total anticipated loss on the contract.

Liabilities

Financial liabilities are recognised at cost at the date of borrowing, cost corresponding to the proceeds received less transaction costs. In subsequent periods, financial liabilities are measured at amortised cost.

Finance lease commitments are recognised at amortised cost as financial liabilities.

Other liabilities are measured at net realisable value.



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DKK'000	2021	2020
2 Segment information, revenue		
Broken down by business areas:		
New sales	2,188,751	2,122,035
Repairs and service	161,946	189,057
Spare parts	199,007	207,906
	2,549,704	2,518,998
Broken down by markets:		
Europe	1,345,806	1,249,206
Korea	479,863	482,177
China	232,070	257,413
Rest of Asia	347,176	360,503
North America, Central America and South America	140,493	160,241
Rest of the world	4,296	9,458
	2,549,704	2,518,998
3 Staff costs		
Wages and salaries	262,815	230,477
Pensions	21,643	22,209
Other social security costs	19,199	17,321
	303,657	270,007
Average number of employees	427	461
Pursuant to section 98b(3)(ii) of the Danish Financial Statements Act, management remuneration is not disclosed.		
4 Other financial income		
Interest income from group entities	67	534
Other financial income	1.478	25
	1.545	559
5 Financial expenses		
Interest expenses to group entities	6,044	7,493
Other financial expenses	7,231	17,028
	13,275	24,521



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DKK'000	2021	2020
6 Tax for the year		
Current tax for the year	8,546	19,284
Deferred tax adjustment for the year	-170	892
Prior year adjustment	-29,304	0
	<u>-20,928</u>	<u>20,176</u>
Specified as follows:		
Tax for the year	-19,552	12,819
Tax on changes in equity	-1,376	7,357
	<u>-20,928</u>	<u>20,176</u>
7 Proposed distribution of profit/loss		
Proposed dividend for the financial year	200,000	200,000
Retained earnings	118,539	199,614
	<u>318,539</u>	<u>399,614</u>
8 Intangible assets		Intangible assets acquired
DKK'000		
Cost at 1 January 2021		<u>28,470</u>
Cost at 31 December 2021		<u>28,470</u>
Amortisation and impairment losses at 1 January 2021		16,607
Amortisation		<u>2,373</u>
Amortisation and impairment losses at 31 December 2021		<u>18,980</u>
Carrying amount at 31 December 2021		<u>9,490</u>

Intangible assets acquired comprise patents and design rights acquired.



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9 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2021	82,540	12,816	67,606	305	163,267
Additions	0	0	0	1,642	1,642
Transferred	1,818	0	0	-1,818	0
Cost at 31 December 2021	84,358	12,816	67,606	129	164,909
Depreciation and impairment losses at 1 January 2021	58,997	8,402	38,813	0	106,212
Depreciation	2,971	798	7,902	0	11,671
Depreciation and impairment losses at 31 December 2021	61,968	9,200	46,715	0	117,883
Carrying amount at 31 December 2021	22,390	3,616	20,891	129	47,026

10 Leased assets

DKK'000	Right of use, land and buildings	Right of use, equipment	Total
Recognised at 1 January 2021	158,928	5,261	164,189
Additions	337	497	834
Disposals	0	-837	-837
Cost at 31 December 2021	159,265	4,921	164,186
Depreciation and impairment losses at 1 January 2021	16,478	1,661	18,139
Depreciation	9,452	1,252	10,704
Disposals	0	-672	-672
Depreciation and impairment losses at 31 December 2021	25,930	2,241	28,171
Carrying amount at 31 December 2021	133,335	2,680	136,015



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11 Investments

DKK'000	Equity investments in group entities	Other receivables
Cost at 1 January 2021	619,328	4,797
Additions	0	4
Disposals	-6,083	0
Cost at 31 December 2021	613,245	4,801
Impairment losses at 1 January 2021	-14,965	0
Impairment losses for the year	0	0
Impairment losses at 31 December 2021	-14,965	0
Carrying amount at 31 December 2021	598,280	4,801

Name	Registered office	Voting rights and ownership	Equity DKK'000	Profit/loss for the year DKK'000
Alfa Laval Aalborg Oy	Finland	100%	68,911	-16,026
Alfa Laval Nijmegen B.V.	The Netherlands	100%	644,574	175,466
Alfa Laval Aalborg Pty Ltd.	Australia	100%	10,901	5,929
Alfa Laval Qingdao Ltd.	China	100%	611,888	8,928
Alfa Laval Aalborg Indústria e Comércio Ltda.	Brazil	99.5%	48,975	11,778
Alfa Laval Aalborg Limited	Hong Kong	100%	0	0
Alfa Laval Aalborg Ltd.	China	100%	0	0

DKK'000	2021	2020
12 Contract work in progress		
Selling price of work in progress	473,555	342,821
Progress billing regarding work in progress	-481,638	-363,398
	-8,083	-20,577
Recognised as follows		
Contract assets, selling price of contracts	90,571	86,066
Contract liabilities, prepayments	-98,654	-106,643
	-8,083	-20,577



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13 Share capital

The share capital has remained unchanged for the past 5 financial years.

All shares rank equally. The share capital consists of 2,560,972 shares of DKK 100 each.

DKK'000	2021	2020
14 Deferred tax		
Deferred tax at 1 January	8,402	7,510
Deferred tax adjustment for the year	1,206	-6,465
Tax on equity transactions	-1,376	7,357
Deferred tax at 31 December	<u>8,232</u>	<u>8,402</u>
Provision for deferred tax can be specified as follows:		
Intangible assets	2,088	2,610
Property, plant and equipment	1,569	2,844
Right of use and leasing obligation	-1,157	-798
Receivables	8,418	7,707
Equity	3,804	5,180
Provisions	-6,414	-9,065
Tax losses	-76	-76
Deferred tax at 31 December	<u>8,232</u>	<u>8,402</u>
15 Warranty commitments		
Warranties at 1 January	60,926	48,353
Used during the year	-52,838	-46,006
Reversal	0	-798
Provision for the year	61,611	59,377
Other provisions at 31 December	<u>69,699</u>	<u>60,926</u>
Warranties comprise liabilities related to the normal 2-year warranty.		
16 Provisions		
Other provisions at 1 January	21,743	9,464
Used during the year	-7,714	-4,045
Reversal	-3,229	0
Provision for the year	10,200	16,324
Other provisions at 31 December	<u>21,000</u>	<u>21,743</u>

Alfa Laval Aalborg A/S is party to a few disputes. At 31 December 2021, DKK 6.000 thousand has been recognised based on Management's assessment of the potential outcome of the disputes. The outcome is subject to material uncertainty, and the amount may be adjusted later on.



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17 Leasing obligation, right of use

DKK'000	2021			2020		
	Lease payment	Interest	Carrying amount	Lease payment	Interest	Carrying amount
0 – 1 years	13,150	-4,023	9,127	13,321	-4,282	9,039
1 – 5 years	36,714	-14,139	22,575	41,582	-14,800	26,782
< 5 years	141,280	-31,707	109,573	148,809	-34,951	113,858
	191,144	-49,869	141,275	203,712	-54,033	149,679

18 Liabilities other than provisions

The intra-group loan falls due for payment in 2022 and has therefore been presented as short-term debt. Management expects that a large part of the loan will be extended.

19 Contractual obligations and contingencies, etc.

Operating lease commitments

Remaining undiscounted operating lease commitments at the balance sheet date fall due within 4 years at an amount of DKK 133 thousand (2020: DKK 117 thousand).

Contingent liabilities

The company is jointly taxed with its Danish group entities. The Company has unlimited joint and several liability, together with the group entities, for payment of Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation group. Any subsequent corrections of income subject to joint taxation and withholding taxes, etc., may entail that the entities' liability will increase. The Group as a whole is not liable to any third parties

20 Currency and interest rate risks and use of derivative financial instruments

The Company uses hedging instruments such as forward exchange contracts and interest and currency swaps to hedge recognised and non-recognised transactions.

Recognised transactions

Hedging of recognised transactions primarily includes receivables and payables denominated in foreign currencies.



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20 Currency and interest rate risks and use of derivative financial instruments (continued)

Currency risks

Currency	Payment/ maturity	2021			
		Receivables	Payables	Hedged by forward exchange contracts and currency swaps	Net position
		DKK'000	DKK'000	DKK'000	DKK'000
USD	0-12 months	92,129	-16,225	-50,416	25,488
	> 12 months	0	-588	1,251	663
CNY	0-12 months	0	-51,469	45,448	-6,021
	> 12 months	0	-86,540	87,003	463
SEK	0-12 months	466	-12,580	0	-12,114
	> 12 months	0	0	0	0
JPY	0-12 months	0	-318	0	-318
	> 12 months	0	0	0	0
HRK	0-12 months	522	0	0	522
	> 12 months	0	0	0	0
GBP	0-12 months	1,035	-216	0	819
	> 12 months	0	0	0	0
SGD	0-12 months	174	-2,077	0	-1,903
	> 12 months	0	0	0	0
EUR	0-12 months	330,582	-206,781	-32,406	91,395
	> 12 months	0	0	0	0
		<u>424,908</u>	<u>-376,798</u>	<u>50,880</u>	<u>98,990</u>



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20 Currency and interest rate risks and use of derivative financial instruments (continued)

Forecast transactions

The Company primarily hedges exchange rate risks relating to sale and purchases of goods in USD and CNY.

DKK'000	Time to maturity	Contractual value		Accumulated gains and losses recognised in equity at 31 December (fair value)	
		2021	2020	2021	2020
Forward exchange contracts	0-12 months	196,615	202,137	10,519	20,850
	> 12 months	235,278	50,698	6,773	2,697
		<u>431,893</u>	<u>252,835</u>	<u>17,292</u>	<u>23,547</u>

Interest rate risks

Loans from the parent company of DKK 121,139 thousand carry variable interest.

21 Related parties

Control

Alfa Laval Corporate AB, Rudeboksvägen 1, Lund, Sweden, reg. no. 556007-7785.

Alfa Laval Corporate AB, Rudeboksvägen 1, Lund, Sweden holds the share capital in the Company.

Related parties also include Management, subsidiaries and consolidated entities in the Alfa Laval Group.

Alfa Laval Aalborg A/S is included in the consolidated financial statements of Alfa Laval AB, Sweden, which is the largest and smallest group in which the Company is a subsidiary. The consolidated accounts of Alfa Laval AB is available on <https://www.alfalaval.com/investors/>

Related party transactions

DKK'000	2021		2020	
	Sales	Purchases	Sales	Purchases
Goods and services	1,605,850	456,753	1,730,045	474,583
Management fees and cost allocation	23,241	161,020	29,486	160,227
License fees and costs related to intellectual property rights	0	1,048	38,991	1,068
Interest on loans	0	4,062	0	5,705
	<u>1,629,091</u>	<u>622,883</u>	<u>1,798,522</u>	<u>641,583</u>



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22 Events after the balance sheet date

The war in Ukraine and the sanctions imposed on Russia as well as regional Covid-19 restrictions are challenges in 2022 that the Company address continuously. The company has no significant exposure to either events, and no other significant events have occurred after the balance sheet date that may materially affect the assessment of the Company's financial position at 31 December 2021.