

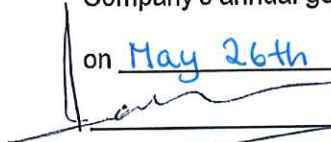


Alfa Laval Aalborg A/S

Annual report 2019

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

on May 26th 20 20



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 2019.

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 2019 and of the results of its operations for the financial year 1 January – 31 December 2019.

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

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

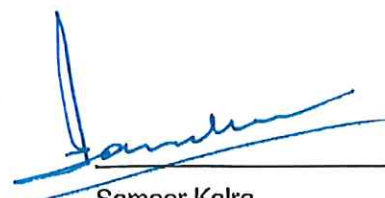
Aalborg, 26 May 2020

Executive Board:



Søren Hjorth Krarup

Board of Directors:



Sameer Kalra
Chairman



Søren Hjorth Krarup



Jan Allde



Lars Skytte Jørgensen



Ninna Dalsgaard Christensen



Ole Madsen



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 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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, 26 May 2020

Ernst & Young P/S

Statsautoriseret Revisionspartnerselskab
CVR no. 30 70 02 28

A handwritten signature in blue ink that reads 'Hans B. Vistisen'.

Hans B. Vistisen
State Authorised Public Accountant
mne23254

A handwritten signature in blue ink that reads 'Chris Mark'.

Chris Mark
State Authorised Public Accountant
mne42788



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

Sameer Kalra (Chairman)
Søren Hjort Krarup
Jan Allde
Lars Skytte Jørgensen
Ninna Dalsgaard Christensen
Ole Madsen

Executive Board

Søren Hjorth Krarup

Audit

Ernst & Young P/S
Vestre Havnepromenade 1A
DK-9000 Aalborg

Annual general meeting

The annual general meeting will be held on 26 May 2020.



Management's review

Financial highlights

DKKm	2019	2018	2017	2016	2015
Revenue	1,821	973	1,153	1,365	1,371
Gross profit/loss	330	250	249	293	367
Profit/loss from ordinary operating activities	20	-24	48	48	128
Profit/loss from net financials, incl. dividend	175	163	65	311	203
Profit/loss for the year	191	143	106	277	295
Total assets	2,110	1,604	1,960	2,218	1,970
Investments in property, plant and equipment	2	2	16	31	8
Equity	744	647	680	553	636
Profit margin	1,1%	-2.5%	4.1%	3.5%	9.3%
Return on capital employed	1,1%	-1.4%	2.3%	2.3%	7.0%
Equity ratio	35,2%	40.3%	34.7%	24.9%	32.3%
Return on equity	27,4%	21.6%	17.2%	46.6%	47.8%
Average number of full-time employees	423	365	343	421	468

No adjustments related to impact due to changes in accounting policies to IFRS 15 and IFRS 16 have been made to comparative figures 2015-2018. Further to this the Pure Ballast activity has been transferred from Alfa Laval Copenhagen A/S in June 2019. The book value method has been used and no comparative figures have been adjusted in relation to this structural change. The Pure Ballast activity is recognised from date of change in control, 1 June 2019 and until 31 December 2019 (7 months). We refer to Accounting Policies for further details.

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.

Change in accounting policies and activity transferred from our affiliated company

In 2019, the Company elected IFRS 15 and IFRS 16. While the IFRS 15 have no financial impact, the IFRS 16 concerning leasing assets has an impact, as profit and loss for the year is reduced by 1,5 million and total assets increased by DKK 144 million. Equity ratio at 35,2% would have been 37,6% without this change. Other ratios are almost the same.

On June 1, 2019, a marine activity was transferred from our affiliated company Alfa Laval Copenhagen A/S, which we acquired at book value. This has an impact on the 2019 numbers with a revenue of DKK 693 m (7 months) and total assets of DKK 230 m at 31 December 2019.

Please refer to section of accounting principles for more information on both change in accounting policy and intra-group business combination.

Development in activities and financial matters

In 2019, the Company reported revenue of DKK 1,820,853 thousand against DKK 972,876 thousand last year. The increase in revenue is mostly driven by the above-mentioned transfer of marine activities from our affiliated company Alfa Laval Copenhagen A/S during 2019. However there has also been a revenue growth in our other activities. The income statement for 2019 shows a profit of DKK 190,750 thousand against a profit of DKK 143,359 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. However, the development versus last year is still considered satisfactory.

At 31 December 2019, the Company's balance sheet showed equity of DKK 743,808 thousand.

We accelerate success for our customers, people and planet

The Alfa Laval Group is a leading global supplier of first-rate products in the areas of heat transfer, separation and fluid handling. Alfa Laval is active in the areas of Energy, Marine, Food & Water offering its expertise, products and service to a wide range of customers worldwide. We are constantly working on optimizing processes, creating responsible growth and driving progress - always going the extra mile to support customers in achieving their business and sustainability targets.

Alfa Laval's innovative technologies are dedicated to purifying, refining, and reusing materials, promoting more responsible use of natural resources. They contribute to improved energy efficiency and heat recovery, better water treatment, and reduced emissions. Thereby, Alfa Laval is not only accelerating success for its customers, but also for people and the planet. We work on making the world better every day. And that is what can be described as advancing better with Alfa Laval.



A company with global reach

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 and has major branches in both Sweden and Denmark. The Alfa Laval companies have a strong international focus and work together in a global network.

Alfa Laval's products are sold in more than 100 countries, of which more than 50 have their own sales organisations. Alfa Laval has more than 110 service centres worldwide, which offer service to 160 countries worldwide.

Today, Alfa Laval has approx. 17,500 employees, of which the majority works in Sweden, Denmark, China, India and North America. In 2019, the Alfa Laval Group had a turnover of SEK 46,5bn equivalent to approx. DKK 31,5bn

UN's 17 Global Goals for Sustainable Development are also Alfa Laval's goals

All countries must strive to achieve the 17 UN Sustainable Development Goals to put an end to poverty, reduce inequality and solve the climate crisis by 2030. Alfa Laval helps achieve these goals through the products and solutions it develops making them available to customers who aim to improve energy efficiency, reduce emissions, purify water, minimize waste and lead to efficient use of raw materials. In fact, Alfa Laval now lives up to 13 out of the 17 goals, which is an improvement over last year's 11 goals.

Recent years' development in the Alfa Laval Group and the Alfa Laval companies in Denmark

Following three years of our organic growth strategy, invoicing reached a record level in 2019. Sales amounted to SEK 46.5bn, an increase of 12.5 percent compared to the previous year. The Marine Division was the main growth driver, as the demand for environmental solutions increased significantly following the implementation of new marine regulations. These orders account for more than SEK 4.7bn of the Alfa Laval Group's growth since 2016. The Marine Division reported an average organic growth of 11.3 percent.

There was also a strong organic growth in the Energy Division, which reported an average organic growth of 6.4 percent per year since 2016. To meet the growing global energy demand, the energy efficiency solutions are playing an increasingly important role. Alfa Laval's heat transfer technologies are critical to creating waste heat recovery solutions and improved thermal efficiency in industrial processes, which supported the 2019 growth in the division.

The Food & Water Division has also generated solid growth over the most recent three-year period with an average organic growth of 5.1 percent. Significant investments have been made in new product platforms, which are now gradually reaching the market. These new products include various sustainability features, such as reduced energy and water consumption, to support our customers in their ambition to contribute to a better, greener world.

For the past three years, Alfa Laval has focused on developing its service activities, which deliver critical technology to industrial processes throughout the world, and where reliability and uptime of equipment is paramount to all Alfa Laval's customers. Several improvement projects have been



launched since 2016 to increase the ability to provide high-level service incl. several new and updated service centres as well as an increased number of service engineers. In 2019, the results of these initiatives started to show. For the first time in the strategy period, the service business grew 7 percent organically – ahead of our long-term growth target.

In 2019, some of Alfa Laval's highlights are as follows:

- A new facility for brazed heat exchanger was opened in Richmond, Virginia, in May, followed by the opening of a comprehensive distribution, service center and separation competence center in Greenwood, Indiana as well as an expanded spiral heat exchanger production in Broken Arrow, Oklahoma. These initiatives aimed at getting closer to the customers and to be able to deliver the necessary spare parts in shorter time across the USA.
- In the spring of 2017, Alfa Laval Copenhagen announced that the production of decanters, which to date had been carried out at the factory in Soborg, will be moved to Krakow in Poland. Thanks to good financial conditions and a lot of orders, this relocation was postponed to the end of 2020, which enabled the factory in Soborg to continue to deliver decanters worldwide throughout 2019. At the same time, the decanter factory in Poland reached the desired level of production by the end of 2019.
- The relocation of the manufacturing unit for marine boilers and scrubbers to a new location in Qingdao, China, was successfully completed.
- At the end of 2019, a new state-of-the-art global Innovation and Test Centre for decanters was opened. The new centre, which is located in Soborg near Copenhagen, will have special focus on optimization in the areas of sustainability, increased performance and digitalisation.
- In 2019, Alfa Laval Copenhagen has opened the doors to start-up companies that work with products or have expertise, which Alfa Laval could benefit from and vice versa. The purpose of inviting newly created companies in Alfa Laval Innovation House, Copenhagen, is to create an ecosystem where synergy and innovation are in the centre and where the direction of development is managed in relation to two lighthouses: Digitization and sustainability. During 2019, 11 start-ups have moved into the vacant premises in Søborg and have started cooperating with Alfa Laval experts within their fields.
- In November 2019, Alfa Laval Aalborg wins the award for Denmark's best "collaboration-workplace"

Alfa Laval in Denmark

In Denmark, Alfa Laval consists of five different legal entities, which together have a turnover of DKK 5.5bn. The approx. 1,800 employees are involved in innovation, business development, production and sales. Our customer segments ranging from biotech and food to energy and shipping, so almost all industries use our products.



Alfa Laval in Denmark is a vital part of the Alfa Laval Group's activities. Several global competence centers are located in Denmark as well as a large part of our global business development and management take place from Denmark.

Alfa Laval has following five entities in Denmark:

- **Alfa Laval Aalborg** is our global centre for boiler technology and global manufacturing for the environmental product PureBallast
- **Alfa Laval Copenhagen** is our global centre for process technology and decanter centrifuges
- **Alfa Laval Kolding** is our global centre for flow equipment and equipment for tank cleaning
- **Alfa Laval Nakskov** is our global centre for membrane filtration
- **Alfa Laval Nordic** is our sales and service company in Denmark.

The five Danish entities work closely together to coordinate activities and to position Alfa Laval in Denmark as an innovative company that develops, produces and sells high quality products.

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. In addition, the company has an increasing focus on the development of green shipping technologies, such as scrubber solutions for cleaning sulphur gases.

Alfa Laval Aalborg has production facilities as well as the world's largest test and training centre, which gives the customers a unique opportunity to test their marine products in their own environment supplied with seawater from Limfjorden on state-of-the-art equipment.

Alfa Laval Copenhagen A/S

Alfa Laval Søborg is a global centre for process technology and decanter centrifuges. The entity's primary business area are product development, production, marketing and worldwide sales of a number of products for various industries. E.g. decanters are used to solve separation tasks in various industries, fresh water systems for use on board ships, oil platforms, power plants and the like, process plants for extracting and treating vegetable oils, ballast water treatment equipment, brewery equipment such as modules, yeast product process, sampling and tank top systems as well as process equipment for use in the food industry. The produced systems are mainly used for processing by-products from the fish and meat industry, such as fishmeal, gelatine, extracts and concentrates.

Alfa Laval Copenhagen has a modern innovation and test centre for decanters, which is used to develop and test future technologies and applications for the benefit of customers in various industries



Alfa Laval Kolding A/S

Alfa Laval Kolding is a global centre for flow equipment and for tank cleaning equipment. The entity's primary business areas are product development, production, distribution and sale of pumps, valves and tank equipment for the food industry, breweries, dairies and pharmaceutical and cosmetic industries.

The Alfa Laval Kolding 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 products for use in the liquid food industry, breweries, the pharmaceutical industry, the chemical industry, the pulp and paper industry as well as the marine and offshore industries.

Furthermore, Alfa Laval Kolding also has a global test and training centre which can be used by Alfa Laval employees, partners and end users.

Alfa Laval Nakskov A/S

Alfa Laval Nakskov is a global centre for membrane filtration. The entity 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 sizes. Latest business areas are wastewater treatment membranes, membrane BioReactors (MBR), where membrane filtration is used as an alternative to traditional wastewater treatment technology, which makes wastewater plants smaller, cheaper and more efficient.

Alfa Laval Nakskov also has a global test centre where customers can test various applications using some of the world's finest pore-size filters from microfiltration to ultrafiltration and nanofiltration to reverse osmosis membranes, where separation can be made to molecular level.

Alfa Laval Nordic A/S

Alfa Laval Nordic A/S is responsible for sales and marketing of products and systems as well as sales of spare parts and services within separation, heat exchangers and liquid handling in Denmark. Alfa Laval's customers are mainly in the areas of the food and beverage, wastewater, energy and marine industries. The entity 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.

Environment

It is company policy to comply with environmental legislation and generally accepted guidelines. The Company has no production that can be characterised as having a severe impact on the environment.

Our most important contribution to a "greener" global environment involves increased use of our products. Our customers often use our products to reduce their impact on the environment. We call this part of our support for a sustainable environment "Green Customer Processes". In addition, we are aware that our internal processes have a minor impact on the environment but are also



sustainable. We call this part of our work "Green Operations". We have chosen to focus on improving a limited number of areas at a time to obtain the greatest effect possible.

Intellectual capital

The Alfa Laval companies in Denmark have approx. 1,800 employees, of which more than 1,100 are white collar workers.

Unusual matters

No unusual matters have occurred in 2019 that have materially affected results apart from the market trends in the marine industry.

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.

Impact on the external environment

It is company policy to comply with applicable environmental legislation and to reduce the environmental impact of operations. The environmental impact of the Company's own operating activities is limited and primarily stems from electricity and raw materials consumption when manufacturing products. In connection with the Company's development activities, we focus on developing products with low energy consumption when in operation that reduce the environmental impact of operations.

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.



Foreign branches

The Company's branch in Dubai has been closed down during 2019 as part of intra-group restructuring that will not affect activities vis-à-vis external customers.

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 2019, the Board of Directors of Alfa Laval Aalborg A/S consisted of 6 members, of which one are female. There are still no female board members elected by the general meeting.

By virtue of the general policy, it is an obvious goal to ensure a more equal distribution between board members elected by the general meeting in the coming years and thus to ensure that the share of the underrepresented gender is not 0%. The goal is therefore to have one female board member elected by the general meeting in the coming years and no later than in 2023. It has not been possible to find the right candidate so far, which is why we have extended the timing for reaching the goal. Based on the size of the Board of Directors, this will correspond to 25%. The composition of the Board of Directors remains unchanged in terms of gender at 31 December 2019 as the right female candidate has not been identified yet.

It is Alfa Laval's goal that 20% of managers should be female. Consequently, we have regular development programmes for women with management potential. This has resulted in an increase in the share of female managers, and by end of 2019, 18% of managers in Alfa Laval worldwide were female.

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/globalassets/documents/about-us/sustainability/sustainability-reports/alfa-laval-sustainability-report-2019.pdf? t_id=1B2M2Y8AsgTpgAmY7PhCfq%3d%3d& t_q=corporate+social+responsibility& t_tags=language%3aen%2csiteid%3af6138c09-ef87-414f-874d-e8bcf6fd81b8& t_ip=157.167.45.180& t_hit.id=AlfaLaval_ContentTypes_MediaTypes_GenericMedia/3e01eae-2876-4537-966f-5e38562d8360& t_hit.pos=4

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

Events after the balance sheet date

Please see the section "Outlook" as for the impact of COVID-19 pandemy.

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 2019.



Outlook

The Company expects an increase in revenue in 2020 compared to 2019 due to a higher order intake in 2019. In addition, revenue is also expected to increase due to a transfer of marine activities from our affiliated company Alfa Laval Copenhagen A/S, which occurred in the middle of 2019. In 2020, we will have this activity the whole year.

The Company expects to realise a profit from ordinary operating activities in the range of DKK 100-125 million in 2020, which is considerably higher than in 2019. This is due to the expected increase in revenue and the full year impact of the transfer of the above-mentioned marine activities.

The impact of COVID-19 does not have any material impact of the company's financial position at 31 December 2019. We are continuing to receive orders at an acceptable level, however the marine market has become more uncertain due to the potential impact the pandemic has on the world economy. This can therefore have an impact on the expected profit from ordinary operating activities range mentioned above.



Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2019	2018*
Revenue	2	1,820,853	972,876
Raw materials and consumables		-1,320,811	-705,095
Other operating income		102,349	87,839
Other external expenses		-272,035	-105,472
Gross profit/loss		330,356	250,148
Staff costs	3	-288,579	-262,587
Amortisation of intangible assets and depreciation on property, plant and equipment	8.9.10	-21,404	-11,751
Profit/loss from ordinary operating activities		20,373	-24,190
Income from equity investments in group entities		190,341	167,430
Financial income	4	2,562	3,910
Financial expenses	5	-17,603	-7,907
Profit/loss before tax		195,673	139,243
Tax for the year	6	-4,923	4,116
Profit/loss for the year		190,750	143,359

* The figures are not adjusted to the impact of implementation of IFRS 15 and IFRS 16 and in relation to the transfer of the Pure Ballast activity. We refer to Accounting Policies for further details.



Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2019	2018*
Assets			
Fixed assets			
Intangible assets	8		
Intangible assets acquired regarding technologies		14,235	16,608
Property, plant and equipment	9		
Land and buildings		25,177	27,985
Plant and machinery		4,678	4,771
Fixtures and fittings, tools and equipment		33,405	40,295
Property, plant and equipment under construction		2,073	314
		65,333	73,365
Leasing assets	10		
Right of use		144,160	0
Investments	11		
Equity investments in group entities		608,526	610,833
Other receivables		4,782	4,287
		613,308	615,120
Total fixed assets		837,037	705,093
Current assets			
Inventories			
Raw materials and consumables		311,792	48,375
Prepayments for goods		24,840	17,303
		336,632	65,678
Receivables			
Trade receivables		92,128	55,623
Contract work in progress, selling price	12	373,245	307,870
Receivables from group entities		140,189	73,007
Corporation tax receivable		8,399	0
Other receivables		8,199	2,968
		622,160	439,468
Cash		314,620	394,084
Total current assets		1,273,412	899,230
TOTAL ASSETS		2,110,449	1,604,323

* The figures are not adjusted to the impact of implementation of IFRS 15 and IFRS 16 and in relation to the transfer of the Pure Ballast activity. We refer to Accounting Policies for further details.



Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2019	2018*
EQUITY AND LIABILITIES			
Equity			
Share capital	13	256,097	256,097
Retained earnings		337,711	290,644
Proposed dividend for the financial year		150,000	100,000
Total equity		743,808	646,741
Provisions			
Deferred tax	14	7,511	6,037
Warranty commitments	15	48,353	29,500
Other provisions	16	9,464	12,000
Total provisions		65,328	47,537
Liabilities			
Long term liabilities other than provisions			
Leasing obligation, right of use	17	139,287	0
Other payables		8,663	0
Total long term liabilities other than provisions		147,950	0
Current liabilities other than provisions			
Leasing obligation, right of use		6,734	0
Loans from group entities	18	372,790	371,194
Prepayments received from customers		11,721	540
Progress billing regarding contract work in progress	12	339,251	279,722
Trade payables		211,009	61,657
Payables to group entities		93,906	106,303
Corporation tax payable		0	1,470
Other payables		117,952	89,159
Total current liabilities		1,153,363	910,045
Total liabilities		1,301,313	910,045
TOTAL EQUITY AND LIABILITIES		2,110,449	1,604,323
Contractual obligations and contingencies, etc.	19		
Currency and interest rate risks and use of derivative financial instruments	20		
Related parties	21		
Events after the balance sheet date	22		

* The figures are not adjusted to the impact of implementation of IFRS 15 and IFRS 16 and in relation to the transfer of the Pure Ballast activity. We refer to Accounting Policies for further details.



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Statement of changes in equity

DKK'000	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2018	256,097	264,307	160,000	680,404
Distributed dividend	0	0	-160,000	-160,000
Transferred; see distribution of profit/loss	0	43,359	100,000	143,359
Value adjustments of hedging instruments	0	-22,568	0	-22,568
Tax on entries on shareholders' equity	0	4,965	0	4,965
Foreign exchange adjustment regarding foreign branch	0	581	0	581
Equity at 1 January 2019	256,097	290,644	100,000	646,741
Distributed dividend	0	0	-100,000	-100,000
Transferred; see distribution of profit/loss	0	40,750	150,000	190,750
Value adjustments of hedging instruments	0	8,029	0	8,029
Tax on entries on shareholders' equity	0	-1,767	0	-1,767
Foreign exchange adjustment regarding foreign branch	0	55	0	55
Equity at 31 December 2019	<u>256,097</u>	<u>337,711</u>	<u>150,000</u>	<u>743,808</u>



Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Alfa Laval Aalborg A/S for 2019 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.

Changes in the accounting policies

The enterprise has changed accounting policies in the following areas:

- IFRS 15 will be applied as the basis of interpretation for the recognition of revenue
- IFRS 16 will be applied as the basis of interpretation for the classification and recognition of leases

Consequences arising from the change in accounting policies are described below.

Change in accounting policies for revenue

The company has chosen to apply IFRS 15 as the basis for interpretation in relation to recognition of revenue.

The enterprise will be applying the standard retrospectively until the beginning of the current period with the accumulative effect of the initial application being recognised in equity opening balance, 2019 (modified retrospective application). Comparative figures for 2018 have not been adjusted and will, as previously, be presented according to IAS 11 and IAS 18. The accounting policies for the current year and the comparative figures are presented in two separate sections.

There is no requirement to apply the disclosure requirements under the Danish Financial Statements Act.

As the change in policies is implemented without any adjustment of comparative figures, the monetary effect of the changes in accounting policies for 2018 is unchanged.

The company has assessed the effect of adopting IFRS 15 and has concluded that there is no significant effect to the financial statements.



Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Change of accounting policies for leases

The company has chosen to apply IFRS 16 as the basis for interpretation in relation to the classification and recognition of leases.

The company will be applying the standard retrospectively until the beginning of the current period with the accumulative effect of the initial application being recognised in equity opening balance, 2019 (modified retrospective application). Thus, the comparative figures for 2018 have not been adjusted and will, as previously, be presented according to IAS 17. The accounting policies for the current year and the comparative figures are presented in two separate sections.

IFRS 16 no longer differentiates between operating and finance leases. Unlike previously, all leases are, with a few exceptions, recognised in the statement of financial position. Thus, as from 1 January 2019, earlier operating leases are recognised in the opening balance.

Lease liabilities are recognised at a value corresponding to the present value of the remaining lease payments, discounted by the enterprise's marginal borrowing rate for the relevant asset types at 1 January 2019. Right-of-use assets are recognised at a value corresponding to the imputed lease liability adjusted for prepayments.

For earlier finance leases, measurement of the carrying amount of the right-of-use asset corresponds to the earlier carrying amount of the asset at 31 December 2018. Similarly, the lease is measured at the earlier carrying amount of the lease liability at 31 December 2018.

On the date of transition, no updated assessment of leases entered into prior to 1 January 2019 has been made. Contracts satisfying the lease definition according to the old definition under IAS 17 are retained as leases according to IFRS 16.

On the application of IFRS 16 and the modified retrospective application, the company will be using the following practical dispensation for rights-of-use assets formerly classified as operating leases:

- Applying a single discount rate to a group of leased assets with identical characteristics
- Omitting the recognition of a right-of-use asset for leases where the lease term expires within twelve months of the date of transition
- Omitting to recognise direct start-up costs when measuring the right-of-use asset at 1 January

As of 31 December 2019, the monetary effects of the changes in accounting policies are as follows:

- Gross profit for the year is increased by DKK 11.2 million (profit)
- Profit for the year before tax is reduced by DKK 1.9 million (loss)
- Tax for the year of the change in accounting policies amounts to DKK 0.4 million (profit)
- Profit for the year after tax is reduced by DKK 1.5 million (loss)
- The total of the statement of financial position is increased by DKK 144.2 million (1 January 2019: DKK 141.8 million)
- Equity is decreased by DKK 1.5 million (1 January 2019: DKK 0 million)

As the change in policies is implemented without any adjustment of comparative figures, the monetary effect of the changes in accounting policies for 2018 is unchanged.



Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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.

Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of equity investments, mergers, demergers, additions of assets and share conversions, etc., in which entities controlled by the Parent Company are involved, provided that the combination is considered completed at the acquisition date without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity are recognised directly in equity. Newly acquired entities are recognised in the financial statements from the acquisition date. The acquisition date is the date when the company actually obtains control of the acquired entity.

Pure Ballast activity has been transferred in June 2019 from Alfa Laval Copenhagen A/S at net booked value according to the book-value method. The Pure Ballast activity is recognised from the date of change of control, at 1 June until 31 December 2019 (7 months).

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.



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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.

Revenue - comparative figures

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

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

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

Income from construction contracts, involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the sales value of work performed during the year (percentage of completion method). The method is used when total income and expenses relating to the contract and the stage of completion can be measured reliably.

Where income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only in so far as it is probable that such expenses will be recoverable from the counterpart.

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

Service work based on time spent is recognised in revenue as the work is performed.

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, 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.



Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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, including license fees 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.

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.



Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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.

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.



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1 Accounting policies (continued)

Right-of-use assets

Right-of-use assets - current year

The company will be applying 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.

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.



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Notes

1 Accounting policies (continued)

DKK'000	1 st January 2019
Operating lease commitments at 31 December 2018 (IAS 17)	59,475
Discounted at an incremental borrowing rate at 1 January 2019	53,542
Finance lease commitments recognised at 31 December 2018	0
Transitional provisions applied:	
Short-term leases	-71
Leases of a low value	-469
Lease payments for periods under extension options that are reasonably certain to be exercised and lease payments for periods under termination options that are reasonably certain not to be exercised	88,671
Variable lease payments based on indices or interest rates	0
Residual value guarantees	0
Lease commitment recognised at 1 January 2019 (IFRS 16)	141,672

Right of use assets – comparative figures

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for fixed assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of future lease payments. In calculating the present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised lease commitment is recognised at amortised cost in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are treated as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed under contractual obligations, etc.

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.



Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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.



Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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.



Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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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	2019	2018
DKK'000		
2 Segment information, revenue		
Broken down by business areas:		
New sales	1,443,374	646,157
Repairs and service	174,939	144,899
Spare parts	202,540	181,820
	<u>1,820,853</u>	<u>972,876</u>
Broken down by markets:		
Europe	773,492	314,815
Korea	477,550	379,695
China	190,214	141,567
Rest of Asia	287,248	94,236
North America, Central America and South America	90,038	40,213
Rest of the world	2,311	2,350
	<u>1,820,853</u>	<u>972,876</u>
3 Staff costs		
Wages and salaries	245,165	227,607
Pensions	20,330	16,588
Other social security costs	23,084	18,392
	<u>288,579</u>	<u>262,587</u>
Average number of employees	<u>423</u>	<u>365</u>
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	2,406	1,806
Other financial income	156	2,104
	<u>2,562</u>	<u>3,910</u>
5 Financial expenses		
Interest expenses to group entities	7,681	7,439
Other financial expenses	9,922	468
	<u>17,603</u>	<u>7,907</u>



Financial statements 1 January – 31 December

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	2019	2018
DKK'000		
6 Tax for the year		
Current tax for the year	5,403	2,010
Deferred tax adjustment for the year	1,473	-10,763
Prior year adjustment	-187	-328
	<u>6,689</u>	<u>-9,081</u>
Specified as follows:		
Tax for the year	4,923	-4,116
Tax on changes in equity	1,766	-4,965
	<u>6,689</u>	<u>-9,081</u>
7 Proposed distribution of profit/loss		
Proposed dividend for the financial year	150,000	100,000
Retained earnings	40,750	43,359
	<u>190,750</u>	<u>143,359</u>
8 Intangible assets		
DKK'000		Intangible assets acquired
Cost at 1 January 2019		28,470
Disposals		0
Cost at 31 December 2019		<u>28,470</u>
Amortisation and impairment losses at 1 January 2019		11,862
Amortisation		2,373
Reversed amortisation		0
Amortisation and impairment losses at 31 December 2019		<u>14,235</u>
Carrying amount at 31 December 2019		<u>14,235</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 2019	81,182	11,812	65,534	314	158,842
Additions	0	514	0	1,759	2,273
Disposals	0	0	-748	0	-748
Transferred	0	0	0	0	0
Cost at 31 December 2019	81,182	12,326	64,786	2,073	160,367
Depreciation and impairment losses at 1 January 2019	53,197	7,041	25,239	0	85,477
Depreciation	2,808	607	6,890	0	10,305
Disposals	0	0	-748	0	-748
Depreciation and impairment losses at 31 December 2019	56,005	7,648	31,381	0	95,034
Carrying amount at 31 December 2019	25,177	4,678	33,405	2,073	65,333

10 Leased assets

DKK'000	Right of use, land and buildings	Right of use, equipment	Total
Recognised at 1 January 2019	0	0	0
Adjustment due to change of accounting policy	139,305	2,367	141,672
Additions	10,284	1,507	11,791
Disposals	0	-882	-882
Cost at 31 December 2019	149,589	2,992	152,581
Depreciation and impairment losses at 1 January 2019	0	0	0
Depreciation	7,598	1,128	8,726
Disposals	0	-305	-305
Depreciation and impairment losses at 31 December 2019	7,598	823	8,421
Carrying amount at 31 December 2019	141,991	2,169	144,160



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11 Investments

DKK'000	Equity investments in group entities	Other receivables
Cost at 1 January 2019	621,635	4,287
Additions	0	643
Repayment received/sales	-2,307	-148
Cost at 31 December 2019	619,328	4,782
Impairment losses at 1 January 2019	-10,802	0
Impairment losses for the year	0	0
Impairment losses at 31 December 2019	-10,802	0
Carrying amount at 31 December 2019	608,526	4,782

Name	Registered office	Voting rights and ownership	Equity DKK'000	Profit/loss for the year DKK'000
Alfa Laval Aalborg Oy	Finland	100%	101,512	38,607
Alfa Laval Nijmegen B.V.	The Netherlands	100%	646,287	533,175
Alfa Laval Aalborg Pty Ltd.	Australia	100%	10,021	4,848
Alfa Laval Qingdao Ltd.	China	100%	484,469	131,806
Alfa Laval Aalborg Indústria e Comércio Ltda.	Brazil	99.5%	71,019	14,194
Alfa Laval Aalborg Limited	Hong Kong	100%	0	0
Alfa Laval Aalborg Ltd.	China	100%	13,339	9,123

DKK'000	2019	2018
12 Contract work in progress		
Selling price of work in progress	373,245	307,870
Progress billing regarding work in progress	-339,251	-279,722
	33,994	28,148

Contract work in progress is presented at gross amount in the balance sheet.



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Notes

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	2019	2018
14 Deferred tax		
Deferred tax at 1 January	6,037	16,800
Deferred tax adjustment for the year	-293	-5,798
Tax on equity transactions	1,766	-4,965
Deferred tax at 31 December	<u>7,510</u>	<u>6,037</u>
Provision for deferred tax can be specified as follows:		
Intangible assets	3,132	3,654
Property, plant and equipment	3,585	4,076
Right of use and leasing obligation	-409	0
Receivables	6,418	6,148
Equity	-2,177	-3,943
Provisions	-2,963	-3,822
Tax losses	-76	-76
Deferred tax at 31 December	<u>7,510</u>	<u>6,037</u>
15 Warranty commitments		
Warranties at 1 January	29,500	26,117
Used during the year	-17,928	-17,503
Reversal	-271	-122
Provision for the year	37,052	21,008
Other provisions at 31 December	<u>48,353</u>	<u>29,500</u>
Warranties comprise liabilities related to the normal 2-year warranty,		
16 Provisions		
Other provisions at 1 January	12,000	12,055
Used during the year	-6,000	-6,055
Reversal	0	0
Provision for the year	3,464	6,000
Other provisions at 31 December	<u>9,464</u>	<u>12,000</u>

Alfa Laval Aalborg A/S is party to a few disputes. At 31 December 2019, DKK 0 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	2019		Carrying amount
	Lease payment	Interest	
0 – 1 years	10,954	-4,220	6,734
1 – 5 years	37,111	-14,942	22,169
< 5 years	155,108	-37,990	117,118
	<u>203,173</u>	<u>-57,152</u>	<u>146,021</u>

18 Liabilities other than provisions

The intra-group loan falls due for payment in 2019 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 427 thousand (2018: DKK 59,475 thousand (IAS 17)).

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	2019			
		Receivables	Payables	Hedged by forward exchange contracts and currency swaps	Net position
		DKK'000	DKK'000	DKK'000	DKK'000
					0
USD	0-12 months	159,347	-21,862	-118,748	18,737
	> 12 months	0	-3,779	4,742	963
CNY	0-12 months	0	-64,284	61,006	-3,278
	> 12 months	0	-17,670	16,765	-905
SGD	0-12 months	1,487	-3,349	0	-1,862
	> 12 months	0	0	0	0
SEK	0-12 months	332	-9,645	0	-9,313
	> 12 months	0	0	0	0
NOK	0-12 months	0	-33	0	-33
	> 12 months	0	0	0	0
JPY	0-12 months	223	-649	0	-426
	> 12 months	0	0	0	0
HRK	0-12 months	1,210	0	0	1,210
	> 12 months	0	0	0	0
GBP	0-12 months	1,796	-292	0	1,504
	> 12 months	0	0	0	0
AUD	0-12 months	0	-1	0	-1
	> 12 months	0	0	0	0
EUR	0-12 months	223,293	-151,159	-32,455	39,679
	> 12 months	0	0	0	0
CHF	0-12 months	0	-105	0	-105
	> 12 months	0	0	0	0
		<u>387,688</u>	<u>-272,828</u>	<u>-68,690</u>	<u>46,170</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.

DKK'000	Time to maturity	Contractual value		Accumulated gains and losses recognised in equity at 31 December (fair value)	
		2019	2018	2019	2018
Forward exchange contracts	0-12 months	296,470	195,504	-10,004	-16,991
	> 12 months	84,960	69,876	111	-931
		<u>381,430</u>	<u>265,380</u>	<u>-9,893</u>	<u>-17,922</u>

Interest rate risks

Loans from the parent company of DKK 372,790 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.

Related party transactions

DKK'000	2019		2018	
	Sales	Purchases	Sales	Purchases
Goods and services	1,041,352	427,603	326,508	421,940
Management fees and cost allocation	49,385	125,935	64,726	70,922
License fees and costs related to intellectual property rights	51,397	731	30,376	508
Interest on loans	0	6,576	0	6,585
Cost price of Pure Ballast activity *	0	154,924	0	0
	<u>1,142,134</u>	<u>715,769</u>	<u>421,609</u>	<u>499,955</u>

* Bought from Alfa Laval Copenhagen A/S, Maskinvej 5, 2860 Søborg, Denmark, CVR 10134285



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22 Events after the balance sheet date

No significant events have occurred after the balance sheet date that may materially affect the assessment of the Company's financial position.