J. Hvidtved Larsen A/S

Lillehøjvej 15, DK-8600 Silkeborg

Annual Report for 1 January - 31 December 2018

CVR No 20 01 00 88

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31/5 2019

Aurelio Lemos Villanueva
Chairman of the General Meeting

Contents

pwc

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of J. Hvidtved Larsen A/S for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and the Group and of the results of the Company and Group operations for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Silkeborg, 31 May 2019

Executive Board

Jesper Guldbjerg Hejselbæk Executive Officer	Brian Dysted Executive Officer

Board of Directors

Aurelio Lemos Villanueva Chairman	Jörg Hüchting	Stefan Häni
Thomas Dubach		

Independent Auditor's Report

To the Shareholder of J. Hvidtved Larsen A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of J. Hvidtved Larsen A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("the Financial Statements").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company

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

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

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

- 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 and the Group'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 Group's and 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 Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Aarhus, 31 May 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Michael Nielsson statsautoriseret revisor mne15151	Rasmus Mellergaard Stenskrog statsautoriseret revisor mne34161

Company Information

The Company	J. Hvidtved Larsen A/S Lillehøjvej 15 DK-8600 Silkeborg CVR No: 20 01 00 88 Financial period: 1 January - 31 December Financial year: 22nd financial year Municipality of reg. office: Silkeborg
Board of Directors	Aurelio Lemos Villanueva, Chairman Jörg Hüchting Stefan Häni Thomas Dubach
Executive Board	Jesper Guldbjerg Hejselbæk Brian Dysted
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	530.071	389.016			
Gross profit/loss	143.584	113.045			
Operating profit/loss (EBITDA)	15.518	7.650			
Profit/loss before financial income and expenses (EBIT)	11.017	2.779			
Net financials	-3.003	-2.159			
Net profit/loss for the year	5.774	363			
Balance sheet					
Balance sheet total	305.511	225.786			
Equity	56.702	51.019			
Investment in property, plant and equipment	12.200	1.296			
Number of employees	252	210			
Ratios					
Gross margin	27,1%	29,1%			
Profit margin	2,1%	0,7%			
Return on assets	3,6%	1,2%			
Solvency ratio	18,6%	22,6%			
Return on equity	10,7%	0,7%			

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Referring to section 128, litra 4 of the Danish Financial Statements Act, no information for the years 2014, 2015 and 2016 is provided for the Group.

Financial Highlights

Seen *over a five-year period, the development of the Parent Company is described by the following financial highlights:*

	Parent Company				
	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	490.295	349.071	369.169	416.641	364.873
Gross profit/loss	130.752	99.532	88.988	120.914	103.093
Operating profit/loss (EBITDA)	13.350	4.897	-3.628	36.044	24.258
Profit/loss before financial income and expenses (EBIT)	9.047	142	-10.003	30.475	18.333
Net financials	54	-2.320	-863	-4.598	-1.402
Net profit/loss for the year	7.319	-1.850	-8.472	19.559	12.916
Balance sheet					
Balance sheet total	229.961	179.803	155.045	176.918	199.895
Equity	53.726	46.457	65.370	74.096	68.066
Investment in property, plant and equipment	12.200	1.296	1.460	1.262	1.521
Number of employees	224	183	178	178	176
Ratios					
Gross margin	26,7%	28,5%	24,1%	29,0%	28,3%
Profit margin	1,8%	0,0%	-2,7%	7,3%	5,0%
Return on assets	3,9%	0,1%	-6,5%	17,2%	9,2%
Solvency ratio	23,4%	25,8%	42,2%	41,9%	34,1%
Return on equity	14,6%	-3,3%	-12,1%	27,5%	38,0%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

J. Hvidtved Larsen A/S (JHL) manufactures truck-mounted sewer cleaning units. The systems are built to stand up to the heavy daily use year after year with maximum working time and minimum fuel consumption to benefit both the environment and the end-user's operating economy.

To develop the business and create the best customer experience, JHL also provides a substantial global service and spare parts business supporting the customers in getting the best possible benefit from their sewer cleaning unit.

The sewer cleaning units are sold on the global market in Europe, North America and Australia.

Development in the year

In 2018 J. Hvidtved Larsen A/S has realized a growth in revenue by 36% driven by the company's core markets in Scandinavia and United Kingdom but through the cooperation with Bucher also new global markets have contributed to the growth.

The company has initiated a number of strategic initiatives to facilitate continued growth and profit improvement. In 2018 the company has specifically invested in strengthening its organization, expanding production capacity and strategic sales channels. Focus is to facilitate growth and efficiency improvements in supply chain through flow production in the coming years.

The growth realized in 2018 has contributed to an improvement in EBIT and net profit, which to some extend is off set by the investments in organization, production capacity and sales channels.

EBIT amounts to DKK 11 million in 2018 which is an improvement of DKK 8 million compared to 2017.

Net profit amounts to DKK 6 million in 2018 which is an improvement of DKK 6 million compared to 2017.

Strategic initiatives

In 2018 the company has continued the implementation of a number of strategic initiatives focusing on sales, supply chain and production. The goals are; sales growth on the global market and efficiency improvements throughout the value chain driven by modularization and flow production. The improvements across the value chain will increase flexibility in production, reduce lead time and support global expansion through localized assembly of the sewer cleaning unit.

J. Hvidtved Larsen A/S has started to produce SKID units in its production in Denmark to accommodate local assembly on remote markets. In 2018 this has been successfully implemented in USA and China.

The strategic initiatives will continue to be focus areas throughout 2019 and the company is expecting an increased positive impact from the initiatives in 2019.

Management's Review

Income statement

Revenue in 2018 amounts to DKK 530 million which is the highest in the history of the company and an increase by 36% compared to DKK 389 million in 2017.

The company had a strong order book entering the year which set the basis for the growth. At the same time a high level of order intake continue throughout the year, which together with a necessary increase in capacity made it possible for the company to realize the strong growth.

Gross profit in 2018 has improved to DKK 144 million compared to DKK 113 million in 2017. The increase is led by the higher sales volume compared to 2017.

Staff expenses in 2018 have increased to DKK 128 million compared to DKK 105 million in 2017. The increase is driven by an increase in capacity together with investments in the organization to support the strategic initiatives.

EBIT in 2018 has improved to DKK 11 million compared to DKK 3 million in 2017 which is an improvement of DKK 8 million. Net profit in 2018 has improved to DKK 6 million compared DKK 0 million in 2017 which is an improvement of DKK 6 mill.

Management considers the 2018 result as satisfactory when considering the significant investments made in the organization to support the strategic initiatives.

Balance sheet

The balance sheet amounts to DKK 306 million which is an increase of DKK 80 million compared to 2017. The increase is mainly related to higher inventory and trade receivables at year end due to high sales at year end.

In 2019 management expects the strategic initiatives in modularization and flow manufacturing to lead to improvements in working capital and therefore a decrease compared to 2018.

Management's Review

Targets and expectations for 2019

In 2019 management expects to maintain or slightly grow the revenue compared to 2018. The order book beginning of 2019 is considered strong with an increase of more than 10 % compared to beginning of 2018.

The management expects to see an improvement in profitability driven by the investments made in 2018 and the continued implementation of the strategic initiatives.

In 2019, the company will continue to optimize and develop its business through the cooperation within Bucher. J. Hvidtved Larsen A/S will implement a structural change in the North American sales territory by starting to distribute products through Bucher Municipal North America, a sister company within the Bucher Group. Consequently, the activities in J. Hvidtved Larsen US Ltd. will be transferred to Bucher Municipal North America effective January 1, 2019. The managements expects that the company will benefit from this structural change, thus will be able to escalate sales grow in North America.

Special risks - operating risks and financial risks

Supply Risks

The company uses several suppliers on significant raw materials to ensure supplies independent of one single supplier.

Foreign exchange risks

Majority of trade is settled in DKK, EUR, USD and GBP.

Management reviews the currency exposure frequently and significant transactions in other currencies than DKK and EUR are hedged. Hedging is carried out based on the yearly budget to cover risks of the expected cash flow during the coming year. If the cash flow expectations changes during the year the hedging is updated accordingly.

Interest rate risks

The company is exposed to interest rate risk on credit facility from both external lenders and from the parent company. The risk is considered low.

Credit risks

Credit risk is assessed customer by customer. Prepayment is used frequently for sales of sewer cleaning units and according to the standard contract the company has ownership of the unit until the full amount has been paid.

Management's Review

Statement of corporate social responsibility

J. Hvidtved Larsen A/S takes responsibility for its products and production, also when it comes to social aspects, which is in line with the Company's CSR policy and basic values.

Business model

Please refer to description of main activities on page 8.

Risk assessment

Risk assessment is an essential part of the daily operations at J. Hvidtved Larsen A/S. An identified risk is considered an opportunity to improve, thus the company actively uses risk analysis in order to be able to proactively contribute to preventing impact on the environment and climate. This gives an opportunity to optimize products and processes to reduce negative impact on the environment and climate, social and employee matters, human rights and anti-corruption.

Risks on environment and climate are mainly in relation to the production facilities. The production is carried out in Denmark where the company sets the local laws and regulations as a minimum requirement in relation to environment and climate.

On social and employee matters the company follows both local legislation as well as basic conventions on employee rights as defined by the International Labour Organization. The company takes responsibility for the well-being of the employees and is considered a safe work place.

The company mainly operates in countries where the level of prosperity and welfare is high and social norms and cultures focus on respecting human rights.

Lastly, the company mainly operates in countries where there is a low degree of corruption. The strategic plan for J. Hvidtved Larsen has an ambition on growth and expansion into new markets, therefore the corruption risk is continuously assessed.

Environment and climate

Sewer cleaning units play a key role in safeguarding the environment around the world. An investment in a sewer cleaning unit from J. Hvidtved Larsen A/S is also an investment in the environment.

Product development has a constant focus on developing and improving sewer cleaning units that are the most environmental friendly and energy efficient in the market.

Our RECycler® unit continuously cleans the jetting water which makes it immediately available for reuse. This reduces refilling and transportation time making it more environmental friendly than its competitors. In addition it is an advantage for the customer as it increases flexibility, operating hours and decreases fuel consumption.

Management's Review

J. Hvidtved Larsen A/S has an ongoing focus on environment and the company is currently implementing an environment policy that focus on efficient use of water, raw materials and other natural resources.

The company sees itself as being among the main drivers in leading the change in order to fulfil the ambitious UN Sustainable Development Goals by 2030. The company works on developing sustainability actions plans to help the world moving in a better and more sustainable direction.

J. Hvidtved Larsen A/S considers CSR and sustainability the core of the business. The company's CSR and sustainability agenda, objectives and targets are aligned with the UN Sustainable Development Goals (SDGs). The most relevant SDGs have been mapped to the business and objectives:

SDG11 Sustainable cities and communities

SDG12 Responsible consumption and production

SDG13 Climate action

The targets within the environment policy are the following:

•Certification for ISO14001:2015 in 2020
•Substitution of minimum two undesirable chemicals per year

Social and employee matters

The company continues to focus on employee satisfaction as the ability to attract qualified labor is crucial for the Company's competitiveness. A performance and development interview is carried out once a year for all employees. The company has a safety policy, a staff policy and a retention policy in place and the company's collaboration committee works to continuously improve the collaboration across functions, departments and seniority.

J. Hvidtved Larsen A/S is implementing a policy for work environment responsibility. The policy is implemented to ensure that employees are well cared for and enjoy a safe work environment. The targets of the working environment policy are the following:

•Certification after ISO45001:2018 in relation to work environment within 2020
•Zero accidents at work
•Compliance with working environment legislation
•Careful work planning
•Continuously improving working environment
•Following up on working environment as a management task
•Focus on well-being and employee attendance to work

Management's Review

Code of conduct

Within Bucher Group a Code of Conduct has been established.

The code of conduct is a general guideline on how to do business on a daily basis as a member of Bucher Group. Amongst others this includes;

•Compliance with laws and regulations
•Health, Safety and environment
•Anti-bribery
•Employment relations
•IT and data protection

J. Hvidtved Larsen A/S complies with the code of conduct and is doing business within this framework. Employees are requested to undergo yearly training in order to ensure compliance in this respect and all new employees have to read and sign an agreement that they have understood and will act according to the principles.

J. Hvidtved Larsen A/S also takes responsibility within the supply chain and therefore strategic suppliers are requested to sign and comply with the code of conduct.

Anti-corruption

J. Hvidtved Larsen A/S also complies with the Bucher anti-corruption directive. The directive includes general descriptions of corruption and bribery, how to ensure not to engage into corrupt business and procedures to be followed in case of bribery or corruption.

Employees are requested to undergo yearly training in order to ensure compliance with the directive and all new employees have to read and sign an agreement that they have understood and will comply.

Human rights

The policy of Human rights within J. Hvidtved Larsen A/S is formalized in the code of conduct which all employees are requested to sign and comply with as mentioned above.

Management's Review

The following principles apply:

•We promote a working culture that fosters mutual respect, openness and individual integrity.
•We respect local standards of occupational safety and health regulations.
•We base access to employment and promotion on personal skills, abilities and performance, not on gender or race or other discriminatory factors.
•We encourage employee/management communication.
•We do not use forced, compulsory or child labour.
•We do not tolerate work place violence including threats, threatening behavior, harassment, intimidation and similar conduct.
•We protect employees' personal data and privacy.

Statutory statement regarding the underrepresented gender in accordance with section 99b of the Danish Financial Statements Act

The company is working on complying with provisions of the law for the underrepresented gender in the supreme management body and on other management levels.

Targets for Board of Directors

J. Hvidtved Larsen A/S has targets and a policy for the gender composition in management. The target for female representation on the board of directors elected by the general meeting was 20 percent by 2018. The shareholders have not succeeded in finding a female candidate for the board of directors within 2018 and therefore the target has been extended for another year until the end of 2019.

Diversity in other management levels

The Company is also considering diversity in other management levels than the Board of Directors.

The long-term aim is that the Company reflects the surrounding society and especially the Company's customers, not only in terms of gender, but also in terms of nationality and ethnicity. This reflection of the surrounding society is to contribute to the Company being an attractive choice for customers as well as present and future employees and in this way enabling the Company to achieve its long-term business goals.

The policy of the company states that women are encouraged equal as men to apply for vacant positions in the company. Women are also guaranteed the same rights and conditions during their employment as men. In connection to this, personnel is ensured good conditions regarding maternity leave, flexible working hours and the possibility to work from home.

Management acknowledges that women are currently underrepresented and will continue to attract women in all levels of the organization.

During 2018 one additional woman has been employed in the middle management group and in 2019 the middle management group has been further strengthened by an additional female manager.

Income Statement 1 January - 31 December

	Note	Group 2018 TDKK	Group 2017 TDKK	Parent Company 2018 TDKK	Parent Company 2017 TDKK
Revenue	1	**530.071**	**389.016**	**490.295**	**349.071**
Other operating income		118	132	145	216
Expenses for raw materials and consumables		-334.254	-248.109	-296.599	-222.935
Other external expenses		-52.351	-27.994	-63.089	-26.820
Gross profit/loss		**143.584**	**113.045**	**130.752**	**99.532**
Staff expenses	2	-128.066	-105.395	-117.402	-94.635
Operating profit/loss (EBITDA)		**15.518**	**7.650**	**13.350**	**4.897**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-4.501	-4.871	-4.303	-4.755
Profit/loss before financial income and expenses (EBIT)		**11.017**	**2.779**	**9.047**	**142**
Income from investments in subsidiaries		0	0	1.348	-63
Financial income	4	1.131	776	1.021	294
Financial expenses	5	-4.134	-2.935	-2.315	-2.551
Profit/loss before tax		**8.014**	**620**	**9.101**	**-2.178**
Tax on profit/loss for the year	6	-2.240	-257	-1.782	328
Net profit/loss for the year		**5.774**	**363**	**7.319**	**-1.850**

Balance Sheet 31 December

Assets

		Group		Parent Company	
	Note	2018	2017	2018	2017
		TDKK	TDKK	TDKK	TDKK
Completed development projects		1.588	2.639	1.588	2.639
Acquired licenses		563	574	563	574
Goodwill		1.183	1.600	1.183	1.600
Intangible assets	7	**3.334**	**4.813**	**3.334**	**4.813**
Land and buildings		18.671	17.636	18.671	17.636
Plant and machinery		5.079	2.279	5.079	2.279
Other fixtures and fittings, tools and equipment		338	207	101	156
Leasehold improvements		4.973	838	3.369	467
Property, plant and equipment in progress		2.931	0	2.931	0
Property, plant and equipment	8	**31.992**	**20.960**	**30.151**	**20.538**
Investments in subsidiaries	9	0	0	54	2.591
Deposits	10	534	489	39	39
Fixed asset investments		**534**	**489**	**93**	**2.630**
Fixed assets		**35.860**	**26.262**	**33.578**	**27.981**
Inventories	11	**173.796**	**141.566**	**126.723**	**109.014**
Trade receivables		84.663	23.253	43.944	16.272
Receivables from group enterprises		5.969	26.287	22.114	21.956
Other receivables	12	2.744	2.841	2.001	429
Corporation tax		0	1.275	0	503
Prepayments	13	2.463	2.233	1.587	1.641
Receivables		**95.839**	**55.889**	**69.646**	**40.801**
Cash at bank and in hand		**16**	**2.069**	**14**	**2.007**
Currents assets		**269.651**	**199.524**	**196.383**	**151.822**
Assets		**305.511**	**225.786**	**229.961**	**179.803**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent Company	
	Note	2018	2017	2018	2017
		TDKK	TDKK	TDKK	TDKK
Share capital		6.500	6.500	6.500	6.500
Retained earnings		50.202	44.519	47.226	39.957
Equity		**56.702**	**51.019**	**53.726**	**46.457**
Provision for deferred tax	15	3.758	2.823	3.819	2.881
Other provisions	16	1.700	2.925	1.700	2.925
Provisions		**5.458**	**5.748**	**5.519**	**5.806**
Mortgage loans		4.543	5.675	4.543	5.675
Payables to group enterprises		91.893	70.551	40.000	40.000
Long-term debt	17	**96.436**	**76.226**	**44.543**	**45.675**
Mortgage loans	17	1.131	1.130	1.131	1.130
Credit institutions		21.409	501	17.385	0
Lease obligations		0	112	0	112
Prepayments received from customers		3.017	3.120	3.017	3.120
Trade payables		91.474	51.439	82.992	47.026
Payables to group enterprises	17	1.635	13.352	1.233	9.701
Corporation tax		1.053	344	912	0
Other payables	12	27.196	22.795	19.503	20.776
Short-term debt		**146.915**	**92.793**	**126.173**	**81.865**
Debt		**243.351**	**169.019**	**170.716**	**127.540**
Liabilities and equity		**305.511**	**225.786**	**229.961**	**179.803**

Distribution of profit	14
Contingent assets, liabilities and other financial obligations	18
Related parties	19
Fee to auditors appointed at the general meeting	20
Subsequent events	21
Accounting Policies	22

Statement of Changes in Equity

Group

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	6.500	44.519	51.019
Exchange adjustments	0	-41	-41
Fair value of hedging instruments, beginning of year	0	-282	-282
Fair value of hedging instruments, end of year	0	218	218
Tax on adjustment of hedging instruments for the year	0	14	14
Net profit/loss for the year	0	5.774	5.774
Equity at 31 December	**6.500**	**50.202**	**56.702**

Parent Company

	Share capital	Retained earnings	Total
Equity at 1 January	6.500	39.957	46.457
Fair value of hedging instruments, beginning of year	0	-282	-282
Fair value of hedging instruments, end of year	0	218	218
Tax on adjustment of hedging instruments for the year	0	14	14
Net profit/loss for the year	0	7.319	7.319
Equity at 31 December	**6.500**	**47.226**	**53.726**

Notes to the Financial Statements

		Group		Parent Company	
		2018	2017	2018	2017
		TDKK	TDKK	TDKK	TDKK
1	**Revenue**				
	Geographical segments				
	Revenue, Denmark	145.483	119.023	145.483	119.023
	Export sales, EU	320.755	214.756	288.208	181.674
	Export sales, non-EU	63.833	55.237	56.604	48.374
		530.071	**389.016**	**490.295**	**349.071**
	Business segments				
	Sale of sewer cleaning units	474.210	337.473	441.290	302.420
	Sale of spare parts and service	53.732	50.821	48.049	45.787
	Other sales	2.129	722	956	864
		530.071	**389.016**	**490.295**	**349.071**
2	**Staff expenses**				
	Wages and salaries	112.508	92.997	102.236	82.774
	Pensions	13.157	10.367	12.765	9.930
	Other social security expenses	2.401	2.031	2.401	1.931
		128.066	**105.395**	**117.402**	**94.635**
	Including remuneration to the Executive Board	**2.390**	**4.132**	**2.390**	**4.132**
	Average number of employees	**252**	**210**	**224**	**183**

Remuneration to the executive board in 2017 is affected by bonus and severance payments to former executive board members.

Notes to the Financial Statements

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

	2018	2017	2018	2017
Amortisation of intangible assets	1.716	2.506	1.716	2.506
Depreciation of property, plant and equipment	2.785	2.365	2.587	2.249
	4.501	**4.871**	**4.303**	**4.755**

4 Financial income

	2018	2017	2018	2017
Interest received from group enterprises	30	73	30	279
Other financial income	1.101	703	991	15
	1.131	**776**	**1.021**	**294**

5 Financial expenses

	2018	2017	2018	2017
Interest paid to group enterprises	543	414	543	669
Other financial expenses	3.591	2.521	1.772	1.882
	4.134	**2.935**	**2.315**	**2.551**

Notes to the Financial Statements

6 Tax on profit/loss for the year

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
Current tax for the year	1.075	96	913	-503
Deferred tax for the year	1.352	592	938	606
Adjustment of tax concerning previous years	-201	-449	-83	-449
	2.226	**239**	**1.768**	**-346**
which breaks down as follows:				
Tax on profit/loss for the year	2.240	257	1.782	-328
Tax on changes in equity	-14	-18	-14	-18
	2.226	**239**	**1.768**	**-346**

7 Intangible assets

Group

	Completed development projects	Acquired licenses	Goodwill
	TDKK	TDKK	TDKK
Cost at 1 January	7.933	7.106	5.170
Additions for the year	0	236	0
Cost at 31 December	7.933	7.342	5.170
Impairment losses and amortisation at 1 January	5.293	6.532	3.570
Amortisation for the year	1.052	247	417
Impairment losses and amortisation at 31 December	6.345	6.779	3.987
Carrying amount at 31 December	**1.588**	**563**	**1.183**

Completed development projects consists of development of features for sewer cleaning units. The impairment testing of the development costs is based on expectations of future sales of sewer cleaning units.

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	36.963	10.046	1.189	4.544	0	52.742
Additions for the year	2.226	4.008	0	3.035	2.931	12.200
Cost at 31 December	39.189	14.054	1.189	7.579	2.931	64.942
Impairment losses and depreciation at 1 January	19.327	7.767	796	2.473	0	30.363
Depreciation for the year	1.191	1.208	55	133	0	2.587
Impairment losses and depreciation at 31 December	20.518	8.975	851	2.606	0	32.950
Carrying amount at 31 December	**18.671**	**5.079**	**338**	**4.973**	**2.931**	**31.992**

Parent Company

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	36.963	10.046	952	2.940	0	50.901
Additions for the year	2.226	4.008	0	3.035	2.931	12.200
Kostpris at 31 December	39.189	14.054	952	5.975	2.931	63.101
Impairment losses and depreciation at 1 January	19.327	7.767	796	2.473	0	30.363
Depreciation for the year	1.191	1.208	55	133	0	2.587
Impairment losses and depreciation at 31 December	20.518	8.975	851	2.606	0	32.950
Carrying amount at 31 December	**18.671**	**5.079**	**101**	**3.369**	**2.931**	**30.151**

Notes to the Financial Statements

9 Investments in subsidiaries

	Parent Company 2018 TDKK	Parent Company 2017 TDKK
Cost at 1 January	2.591	2.591
Disposals for the year	-2.537	0
Carrying amount at 31 December	**54**	**2.591**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
J. Hvidtved Larsen UK Ltd.	United Kingdom	100%	2.437	869
J. Hvidtved Larsen US Inc.	USA	100%	517	113

10 Other fixed asset investments

	Group Deposits TDKK	Parent Company Deposits TDKK
Cost at 1 January	488	39
Additions for the year	46	0
Cost at 31 December	534	39
Carrying amount at 31 December	**534**	**39**

11 Inventories

	Group 2018 TDKK	Group 2017 TDKK	Parent Company 2018 TDKK	Parent Company 2017 TDKK
Raw materials and consumables	25.226	16.898	25.226	16.898
Work in progress	40.447	33.725	40.447	33.725
Finished goods and goods for resale	108.123	90.943	61.050	58.391
	173.796	**141.566**	**126.723**	**109.014**

Notes to the Financial Statements

12 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
Assets	0	280	0	280
Liabilities	214	0	214	0

Forward exchange contracts have been concluded to hedge future sales of goods in USD and GBP. At the balance sheet date, the fair value of the forward exchange rate contracts amounts to DKK -214k. Total hedge in USD of USD 10,000k and total hedge in GBP of GBP 15,000k has been secured for the budgeted USD and GBP cash-flow in 2019.

13 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

Notes to the Financial Statements

14 Distribution of profit

	Parent Company	
	2018	2017
	TDKK	TDKK
Retained earnings	7.319	-1.850
	7.319	**-1.850**

15 Provision for deferred tax

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
Provision for deferred tax at 1 January	2.823	2.231	2.881	2.275
Amounts recognised in the income statement for the year	949	610	952	624
Amounts recognised in equity for the year	-14	-18	-14	-18
Provision for deferred tax at 31 December	**3.758**	**2.823**	**3.819**	**2.881**

16 Other provisions

The Company provides warranties of 1 to 3 years on sewer cleaning units.

Warranty provisions	1.700	2.925	1.700	2.925
	1.700	**2.925**	**1.700**	**2.925**
The provisions are expected to mature as follows:				
Within 1 year	1.300	1.455	1.300	1.455
Later than 1 year	400	1.470	400	1.470
	1.700	**2.925**	**1.700**	**2.925**

Notes to the Financial Statements

17 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
Mortgage loans				
After 5 years	1.102	1.836	1.102	1.836
Between 1 and 5 years	3.441	3.839	3.441	3.839
Long-term part	4.543	5.675	4.543	5.675
Within 1 year	1.131	1.130	1.131	1.130
	5.674	**6.805**	**5.674**	**6.805**
Payables to group enterprises				
After 5 years	20.000	40.000	20.000	40.000
Between 1 and 5 years	71.893	30.551	20.000	0
Long-term part	91.893	70.551	40.000	40.000
Other short-term debt to group enterprises	1.635	13.352	1.233	9.701
	93.528	**83.903**	**41.233**	**49.701**

Notes to the Financial Statements

18 Contingent assets, liabilities and other financial obligations

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
Charges and security				
The following assets have been placed as security with mortgage credit institutes:				
Land and buildings recognised at a value of DKK	18.671	17.637	18.671	17.637
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	7.090	3.948	3.529	2.067
Between 1 and 5 years	13.241	3.994	6.950	1.334
After 5 years	132	0	132	0
	20.463	**7.942**	**10.611**	**3.401**

Other contingent liabilities

Buy-back guarantees totalling DKK 23,911k have been provided for sewer cleaning units at 31 December 2018. At 31 December 2017 the buy-back guarantees amounted to DKK 27,029k.

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc. of the Group. The group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

Security has been provided for J. Hvidtved Larsen UK Ltd's bank debt.

19 Related parties

	Basis
Controlling interest	
Bucher Industries AG, Niederweningen, Switzerland	Ultimate Parent
Bucher Industries Danmark ApS, Silkeborg	Immediate Parent

Transactions

Referring to section 98 C, litra 7 of the Danish Financial Statements Act, no information describing transactions with related parties is provided.

Consolidated Financial Statements

J. Hvidtved Larsen A/S and its subsidiaries is included in the consolidated financial statements of Bucher Industries AG, Niederweningen, Switzerland, ISIN CH0002432174. The consolidated financial statements of Bucher Industries AG can be downloaded at the company's website www.bucherindustries.com.

Name	Place of registered office
Bucher Industries AG	Niederweningen, Switzerland

Notes to the Financial Statements

20 Fee to auditors appointed at the general meeting

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
	TDKK	TDKK	TDKK	TDKK
PricewaterhouseCoopers				
Audit fee	291	325	291	325
Tax advisory services	15	55	15	55
Other services	25	0	25	0
	331	**380**	**331**	**380**
Keens Shay Keens				
Audit fee	75	75	0	0
Other services	17	8	0	0
	92	**83**	**0**	**0**
	423	**463**	**331**	**380**

21 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of J. Hvidtved Larsen A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year. Minor reclassifications have been made to the comparative figures. The reclassifications have no impact on the profit for the year and equity.

The Consolidated and Parent Company Financial Statements for 2018 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Bucher Industries AG, the Company and the Group have not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes to the Financial Statements

22 Accounting Policies (continued)

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, J. Hvidtved Larsen A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

22 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Notes to the Financial Statements

22 Accounting Policies (continued)

Revenue

Information on business segments and geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

22 Accounting Policies (continued)

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5-10 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 3-7 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Notes to the Financial Statements

22 Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Land & buildings	30	years
Plant and machinery	3-7	years
Other fixtures and fittings, tools and equipment	3-7	years
Leasehold improvements		expected term period

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 25,000 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Notes to the Financial Statements

22 Accounting Policies (continued)

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums and subscriptions.

Provisions

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-3 years. Provisions are measured and recognised based on experience with guarantee work.

Notes to the Financial Statements

22 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

22 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$